WOMEN IN RETIREMENT: ARE THEY LOSING OUT?

HEARING

BEFORE THE

SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

OF THE

SELECT COMMITTEE ON AGING
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

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WOMEN IN RETIREMENT: ARE THEY LOSING OUT?

TUESDAY, MAY 22, 1990

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON AGING,
SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 345, Cannon House Office Building, Honorable William J. Hughes (chairman of the subcommittee), presiding.

Members present: Representatives Hughes, Lloyd, Oakar, and Tauke.

Staff present: Brian Lutz, Staff Director; Amy Melnick, Professional Staff; Bill Walsh, Research Assistant; Ann O'Donnell, Deputy Minority Staff Director.

OPENING STATEMENT OF CHAIRMAN WILLIAM J. HUGHES

Mr. HUGHES. The Subcommittee on Retirement Income and Employment of the House Select Committee on Aging will come to order. Good morning and welcome to today's hearing:"Women in Retirement: Are they losing out?" Today's topic is not only of great interest to me, but it rests at the very heart of the well-being of millions of retired Americans, both now and in the future.

Support and confidence for any retirement income system revolves around two major principles—is it adequate and is it equitable? Today's hearing will examine both principles in terms of Social Security and private pension systems as they relate to the work patterns of women. We will also examine a variety of recommendations which might address these particular issues.

When measuring whether the system is adequate, I am greatly concerned that, although our mothers, wives, and daughters are spending more time in the labor force, poverty among older women is projected to continue to grow well into the next century. As you can see from the first chart, in 1950 only 33.9 percent of women were in the labor force. By the year 2000, over 62 percent of women will be in the labor force with the percentage continuing to grow into the next century.

However, this increased participation will not generally reduce the poverty rate for elderly women who live alone. As you can see from the second chart, 30 years from now, the percentage of poor and near-poor elderly men living alone will have declined from nearly 40 percent to about 5 percent. However, the percentage of elderly women living alone who are poor or are near poor will

remain near 40 percent, a figure which is not much different from the situation today. This trend is a cause for concern given that the number of elderly women living alone will double over the next 30 years. I will be interested to hear from our panelists how this adequacy problem might be addressed.

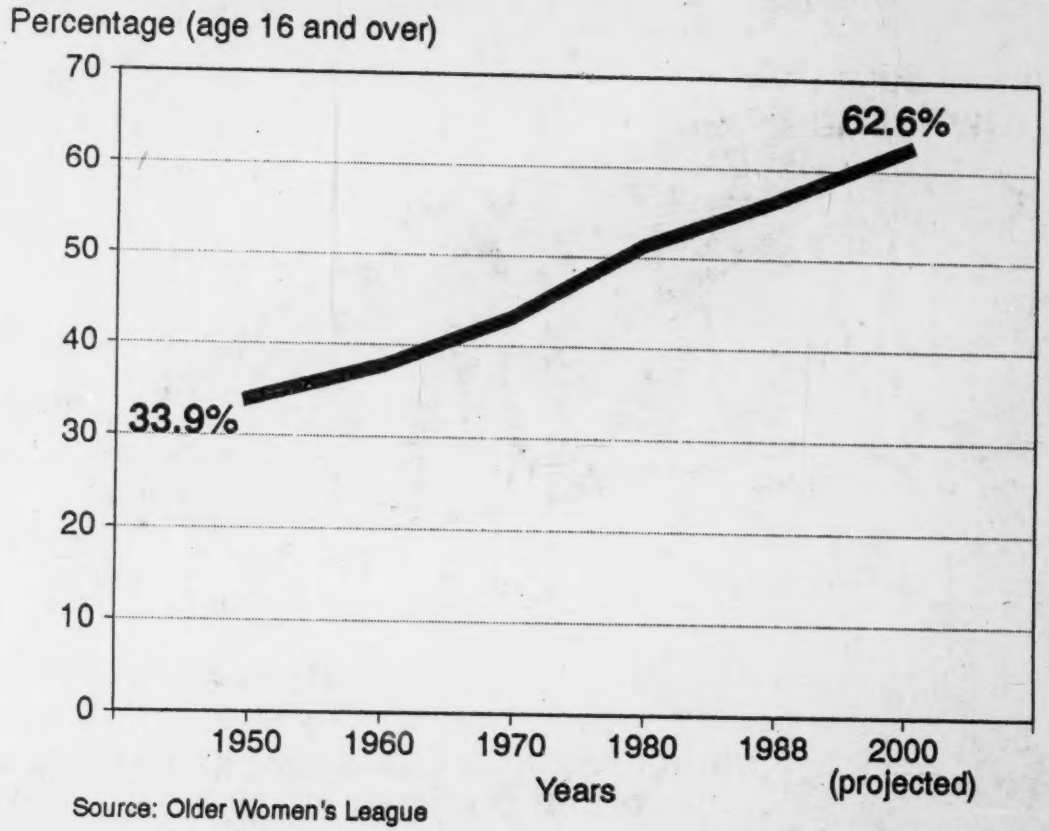
In terms of equity, more Americans are questioning whether it is fair that even though more women are making greater contributions to the Social Security system, in many cases this increased participation will not translate into larger benefits. We will be interested to hear if and in what ways the system might be made more responsive to the work histories of women and caregivers.

Finally, we will also examine adequacy and equity issues regarding the private pension system. While pensions are often considered to be one major component of a "three-legged stool" of retirement income, in many cases, this support is nonexistent for women. Many women experience a severe drop in income soon after the death of their spouse. What is more, only 3 percent of women receive a surviving spousal pension benefit. Pension vesting, portability, and income offset issues are among the concerns which deserve to be examined more closely as they relate to the work history of women.

I wish to thank everyone who is testifying here today for the assistance and courtesy they have shown the subcommittee in preparing for this hearing and I look forward to a very productive and useful exchange of ideas that can be translated into improvements in the Nation's overall retirement income system.

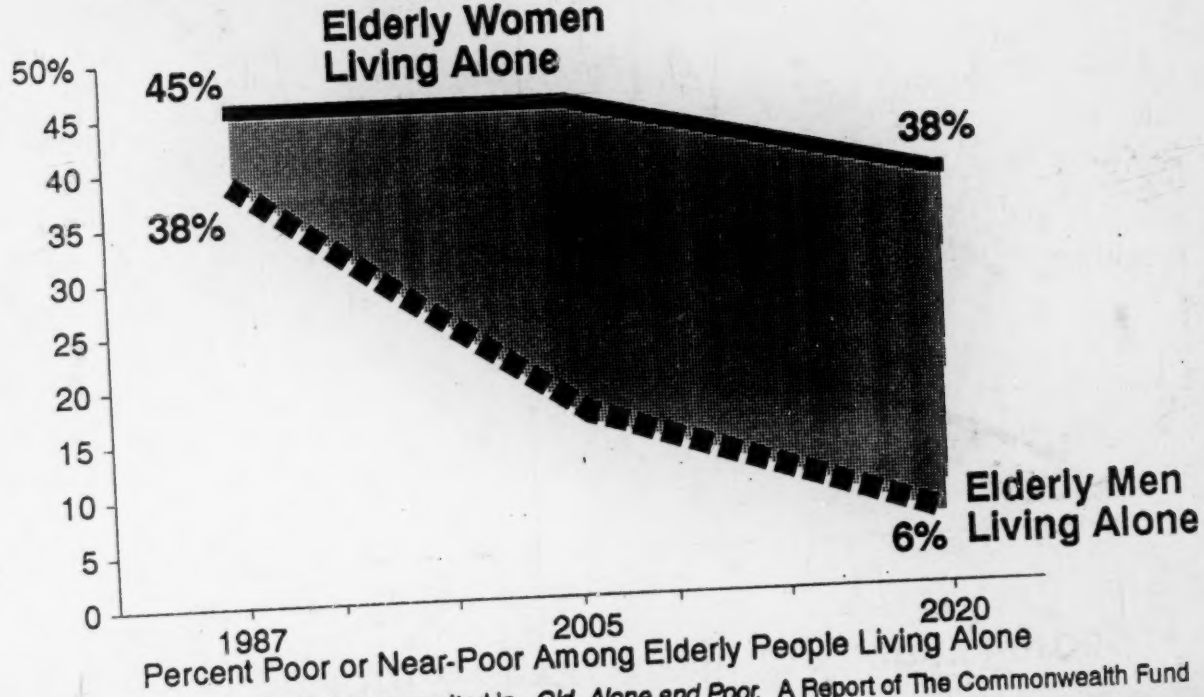
[Supplemental material submitted for the hearing record by Chairman Hughes follows:]

More Women Are in the Labor Force . . .



Source: Older Women's League

Those who will be poor and alone in the future will be mostly elderly women, while men are aided by jobs and retirement benefits.



Source: ICF Estimates as cited in *Old, Alone and Poor.* A Report of The Commonwealth Fund Commission on Elderly People Living Alone, 1987.

Mr. HUGHES. Does my distinguished colleague from Tennessee have an opening statement?

STATEMENT OF REPRESENTATIVE MARILYN LLOYD

Ms. LLOYD. Thank you very much, Mr. Chairman. Certainly this is one of the more relevant hearings that will be held in this Congress. Mr. Chairman, you are to be commended for calling this hearing of the Subcommittee on Retirement Income and Employment to highlight the issue of income security for older adults and particularly for older women. I am pleased to be able to explore with you the vast and growing inequities for women that are inherent in our Social Security system. So many of us are aware of the negative impact that Social Security inequities have on the living standards of older women; however, I maintain that we will be shocked by the magnitude of this problem in the future. Present inequities in the system will be exacerbated by the retirement of the baby boom generation and increases in life expectancy.

As I have stated in the past, Social Security is one our most important Federal programs. It is the cornerstone of economic security for many people who are divorced or disabled, widowed or retired, but not only is it critical that Social Security be available for future retirees, but also this program needs to be responsive to all Americans in an equitable manner.

The Social Security system was designed to meet the needs of the traditional family, comprised of a breadwinner and a spouse who provided the majority of the caregiving to the family during her working years. However, this design no longer serves the American family. It harms so many women who don't fit into this traditional family pattern. The Social Security program is not equitably serving a large number of these recipients.

Some examples of the inequities in the Social Security system that I find particularly disturbing are its bias and resulting lower benefits against: one, the dual-earner families, in which both spouses contribute substantially to the family incomes and, two, women who do not work 35 continuous years because of caregiving responsibilities and, three, widows who must begin receiving Social Security early because they don't have other sources of income. So, we need to reassess and redesign the system so it is more equitable for persons in these situations.

Mr. Chairman, I recently held a field hearing in my district in Chattanooga, Tennessee. The hearing was entitled "Mothers, Wives and Daughters—Who is Caring for Tennessee Caregivers?" A number of these caregivers testified who were forced to quit their jobs to be primarily caregivers to their parents or their spouses or children, or other relatives who had Alzheimer's disease or other disabling illnesses. And like many of us, these caregivers were unaware of the extent to which their caregiving will negatively impact their future Social Security benefits. I think it is very unfair and ironic that these women save the Federal Government millions of dollars in Medicaid and Medicare funds and they keep their families together by providing care while at the same time the Federal Government penalizes them by reducing their future Social Security benefits.

So, again, Mr. Chairman, I congratulate you for recognizing the impact of our Social Security and pension laws on the economic security of women. As usual, you have invited a distinguished panel of witnesses. And I have got to go away for a little while, but I hope to get back and to work with you as we look at remedies.

Thank you, Mr. Chairman.

Mr. HUGHES. Thank you, Ms. Lloyd, I might mention that Marilyn Lloyd is the new Subcommittee Chair on Housing and Consumer Interests and so those particular subjects are in very good hands and we appreciate your participation this morning.

Ms. LLOYD. I appreciate your leadership.

Mr. HUGHES. The Chair recognizes the gentleman from Iowa, the ranking Republican.

STATEMENT OF REPRESENTATIVE THOMAS J. TAUKE

Mr. TAUKE. Thank you, Mr. Chairman, and it is good to be here with you and with our distinguished panel of witnesses today, and I look forward to this hearing. Like so many of the other members, I have another committee markup going as well, so I will be in and out to the Education and Labor Committee where we have four bills up for discussion and completion of action on today.

I am very grateful to you for convening this important hearing, Mr. Chairman, because it is necessary for us to discuss and consider the impact of retirement income policies on older women. Several years have passed since the committee examined the effect that pension and Social Security rules have on the retirement income security of older women, and since that time there has been quite a bit of discussion inside and outside of Congress on the issues that were raised at that hearing. I am hopeful that today's hearing will lead to action on improving pension and Social Security coverage for older women.

We have all seen the demographic data—in fact, we become very familiar with it. It underscores the changing face of the future American workforce. We all know about the graying of the baby boom generation. One in 10 American is over age 65 today—that's 30 million Americans. In 40 years one in five Americans—which will be 60 million Americans—will be over the age of 65. All of the numbers and statistics, the data, they show us a snapshot of the future of our society and demonstrate how important it is for us to address problems with our retirement income policies today.

In general, I think it is fair to say that both Social Security and pension policies are designed to benefit long-term employment and consistent long-term wage growth. Thus, men are more likely to receive generous retirement benefits. Women are at a distinct disadvantage in retirement planning because their future income is primarily dependent upon their husband's career earnings and savings.

Another important factor that affects retirement income for women is labor force participation. Caregiving has a major impact on retirement income benefits of women. Women on average spend approximately 11.5 years out of the labor force caring for children and for parents and, of course, as our population ages, we see more and more time being spent caring for parents. With regard to

Social Security, these caregiving years amount to a lot of zeros on the earnings record and lower Social Security benefits. Sporadic labor force participation also undermines on the woman's ability to fully vest in a pension plan.

Mr. Chairman, I hope that as a result of these hearings this morning that we will look at two major issues and try to push them in the Congress. One is that we should give consideration in the Social Security system to child drop-out years—where we would be able to permit those who have taken time to care for children or for parents—the ability to drop those years from their earnings record and not have them averaged in for purposes of Social Security.

Secondly, we should push for portable pensions. This is an issue that is particularly meaningful to women, but it is not meaningful for just women, it is meaningful for everybody in a changing workforce—a workforce where we are less likely to stay on the job for years and years; instead, where we are moving from job to job—I should say from career to career and to employer to employer, from job to job. And if we would have portable pensions and if we would have a more meaningful, or I should say, a more equitable way of determining Social Security benefits, I think we could deal—at least take some major steps toward dealing with some of the problems that will be discussed today.

Today, as you know, the vast majority of the population over age 85 are women who live alone. Many of them are in poor health and near poverty. There is a direct correlation between advancing age and poverty. Married couples have a much lower poverty rate than widows and women who are alone. When a husband dies, elderly women frequently lose pension income and a significant portion of Social Security benefits. This isn't right, that older women should become impoverished because they lose their husbands. Our hearing will examine some of the possible changes in pension and Social Security policies which would improve retirement income security for women.

This past weekend I toured a flood-stricken area in Sioux City, Iowa and one of the things that was very striking is that most of the people who were hard-hit by the flood were low-income elderly. For these very vulnerable people who already live on this margin, this disaster will probably push them over the threshold. And I know it shouldn't take a disaster to sensitize us to some of the problems, but when you see some of these elderly citizens there in their flood-ravished homes, and now they have to come up with a little extra money to try to fix them up, you understand just how difficult it is for many of these people who are living on the edge.

Mr. Chairman, I guess that the time to consider this issue and to take action on it and to plan carefully to determine how we can deal with it effectively is now. And while our actions may be too late for many older women, we should work to insure that those who will be facing the same problems tomorrow are treated fairly and adequately by Social Security and pension policies. And you are right, they always do put too much ice in the pitchers.

Mr. HUGHES. If it makes you feel any better, we do that all the time around here. I thank the gentlemen from Iowa.

The Chair now recognizes the young lady from Ohio, Mary Rose Oakar, who is Chairman of the Task Force on Social Security and Women and who is one of the leaders, both here on the Select Committee on Aging and in the Congress, on all types of pay equity and other issues involving women in the work force.

STATEMENT OF REPRESENTATIVE MARY ROSE OAKAR

Ms. OAKAR. Thank you, Mr. Chairman. I really want to thank you for having this hearing. It is a very relevant hearing and it is true that while the Aging Committee is a nonlegislative committee, most of the reforms relating to Medicare and pension reform, et cetera, have started in this committee. You are certainly going to be a catalyst for change.

Mr. Chairman, I was struck around Mother's Day when the Older Women's League—and I know the head of the Women's League is going to be testifying—put out their report and they put out a report every year about the plight of older women. Every year it gets worse and worse and every year we really do, all of us, participate in trying to talk about these problems, but we have not seen any action in the congress, I mean we just have not. And the fact is that 75 percent of the elderly poor happen to be female and the average woman over 65 lives pretty much on that Social Security check, about $395 a month. Only 20 percent of the elderly women have any other source of income besides that check and when they do have access to two pensions, we offset one of the pensions. I mean it is absolutely the most unfair kind of treatment. Ask any retired school teacher who has access to Social Security and teacher's pension, for example, and ask her—she cannot understand why that is reduced. And again, that offset, again affects women.

Since Social Security, which I am a great fan of, was signed into law in the late thirties, the demographics changed dramatically and because we have a workforce whereby 70 percent of women who are working age do work part or full-time and because their wages are so inadequate, we still do not have fairness in pay when it comes to the value of their work. When they get older they get a double whammy because we still have unfortunate laws relative to private pensions which force women to go to the Supreme Court in order to get justice. Can you imagine how difficult it is to have the wherewithal to do that for any person, let alone someone who is vulnerable and poor and older?

When you look at the Social Security system, it has not changed with the times, even though it is an excellent program. For the last decade, I have introduced about seven bills. So, if anybody feels strongly about this, you tell your Member of Congress to either introduce my bill and put their name on it or to cosponsor my bill. And I just want to mention one bill, Mr. Chairman, if I can, because it really is at the core of the problem, and that is the earnings sharing bill which is H.R. 203.

It tries to correct the difficulties with every woman in this country who is older. For working spouses, if a woman works and her husband works and she has paid all her credits, she is bound to get

less than if she never worked at all. So, working spouses are discriminated against under the present system.

For homemakers, they are discriminated against because, as Marilyn Lloyd and other said they work, they pay all their credits—they are the caregivers. They go in and out of the labor force to have children or to take care of that sick parent. Even if they have paid all of their credits, if they are out of the labor force for more than 5 years, they are not covered by disability. Try to get disability insurance if your are a homemaker; no private insurance company will insure you for disability. So, homemakers are discriminated against.

Divorcees are discriminated against because you must be married to someone 10 years or more to have access to that economic partnership. And then we get into women who are displaced homemakers, most of whom are women widowed between the ages of 50 and 59 and you don't have access to Social Security until you are 60. So, they're hung out there somewhere waiting for that kind of accessibility and their income is extremely insecure.

What Canada does, what England does, what France does, what Switzerland does, what just about everyone else does—we are so far behind, not only in health care for our people, which is a whole other topic—but so far behind in terms of fairness in pensions. But, let's just take our northern neighbors who also have Social Security. They have an earning sharing approach and they say for whatever quarters you have paid in, that share goes into the pot, and you and your husband, based on the number of years you are married, will split those shares in two. And if you do it that way, you are fair to working spouses, you cover homemakers for disability insurance and you cover people who are divorced and have been married to someone 9.5 years instead of 10 years or more.

I mean, it is so absurd to me that we have not been fair and can't do that when we have this huge surplus of Social Security trust fund money and everybody wants to get their hands on it or other kinds of avenues.

So, Mr. Chairman, I just hope that your wonderful leadership will be the catalyst to get some of these reforms that are so belated in terms of treatment of our mothers and grandmothers and great grandmothers.

Thank you, Mr. Chairman.

[The prepared statement of Representative Oakar follows:]

REMARKS OF REPRESENTATIVE MARY ROSE OAKAR
before the
HOUSE SELECT AGING COMMITTEE
SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT
May 22, 1990

CHAIRMAN HUGHES, I WOULD LIKE TO THANK YOU FOR HOLDING THIS VERY IMPORTANT HEARING TODAY. IT IS CRITICAL THAT WOMEN IN RETIREMENT -- ESPECIALLY DIVORCED AND WIDOWED SPOUSES IN THIS NATION, HAVE A FORUM FOR THEIR MANY GRIEVANCES WITH RESPECT TO THE WAY THEY ARE TREATED UNDER THE CURRENT SOCIAL SECURITY SYSTEM. I UNDERSTAND THE NEED FOR YOU TO FOCUS THIS HEARING ON THE IMPORTANT ISSUES OF THE DAY. THEREFORE, MR. CHAIRMAN, I ESPECIALLY APPRECIATE YOUR WILLINGNESS TO ALLOW ME TO ELABORATE ON RELATED CONCERNS.

MR. CHAIRMAN, AS CHAIR OF THE HOUSE SELECT AGING TASK FORCE ON SOCIAL SECURITY AND WOMEN I AM WELL AWARE THAT OLDER WOMEN IN AMERICA ARE AT A SEVERE DISADVANTAGE WHEN IT COMES TO ECONOMIC EQUITY. IN THE UNITED STATES 23 MILLION WOMEN ARE AGES 45-65 -- 17 MILLION WOMEN ARE 65 AND OLDER. THESE WOMEN ARE MUCH MORE LIKELY THAN MEN TO BE POOR -- WOMEN CONSTITUTE 75 PERCENT OF THE ELDERLY POOR. THEY ARE MORE LIKELY THAN MEN TO BE SOLELY DEPENDENT ON SOCIAL SECURITY AND, IN GENERAL THEY HAVE LITTLE PRIVATE PENSION COVERAGE. WHILE OVER 43 PERCENT OF ALL MEN AGED 65 AND OLDER RECEIVE PRIVATE OR PUBLIC PENSIONS, ONLY 25 PERCENT OF WOMEN AGED 65 AND OLDER DO. MOST OLDER WOMEN ARE WIDOWED OR DIVORCED AND LIVE ALONE. THE AVERAGE MONTHLY SOCIAL SECURITY BENEFIT FOR RETIRED WOMEN IS ONLY 65 PERCENT THAT OF RETIRED MEN, $411 AND $629 RESPECTIVELY. FOR THE WOMEN, THAT'S SIGNIFICANTLY UNDER THE FEDERAL POVERTY LEVEL. SO, AS I KNOW YOU ARE AWARE,

MR. CHAIRMAN, THE CARDS ARE STACKED AGAINST OLDER WOMEN IN THIS NATION FROM THE OUTSET.

WHILE IT IS TRUE THAT IT IS MORE COMMON THESE DAYS TO FIND WOMEN MOVING INTO CAREERS OR DUAL WAGE EARNER FAMILIES IT REMAINS DIFFICULT, WHERE CHILDREN ARE INVOLVED, FOR WOMEN TO REMAIN CONTINUOUSLY EMPLOYED. WHETHER WOMEN ENTER OR REMAIN IN THE WORK FORCE OR NOT HOWEVER IS NOT THE ISSUE. THE ISSUE HERE IS THAT WOMEN CONTRIBUTE ON AN EQUAL BASIS TO THE SUPPORT AND ECONOMIC VITALITY OF THE FAMILY WHETHER THEY ARE OUT IN THE WORKFORCE OR AT HOME CARING FOR CHILDREN OR ELDER PARENTS. 72 PERCENT OF UNPAID CAREGIVERS IN AMERICA ARE WOMEN, AND MORE THAN HALF ARE AGE 45 AND OLDER. THE STATISTICS I HAVE MENTIONED CLEARLY ILLUSTRATE THAT THE CURRENT TREATMENT OF WOMEN BY OUR SOCIAL SECURITY SYSTEM DOES NOT ACCOUNT FOR THE EQUAL ROLE THAT WOMEN PLAY IN ENSURING ECONOMIC THE WELL-BEING OF AMERICAN FAMILIES.

I HAVE INTRODUCED SIX BILLS IN THE 101st CONGRESS THAT, I BELIEVE, ARE RELEVANT TO THE DISCUSSION HERE TODAY WHICH WOULD ADDRESS THIS DISPARITY. THE FIRST OF THESE IS H.R. 201, WHICH WOULD REPEAL GOVERNMENT PENSION OFFSET. MR. CHAIRMAN, IN MY OFFICE I RECEIVE MORE MAIL FROM ALL ACROSS THE COUNTRY IN SUPPORT OF THIS BILL THAN I RECEIVE FOR ANY OTHER BILL I HAVE INTRODUCED. THE GOVERNMENT PENSION OFFSET IS BLATANTLY UNFAIR. THE

GOVERNMENT PENSION OFFSET, ENACTED IN 1977 AND MODIFIED IN 1983, REQUIRES THAT THOSE AMERICANS WHO ARE ELIGIBLE FOR BOTH SOCIAL SECURITY SPOUSAL BENEFITS AND ARE ELIGIBLE FOR A GOVERNMENT PENSION, WILL HAVE THEIR SOCIAL SECURITY BENEFITS REDUCED BY AS MUCH AS TWO-THIRDS. THOSE IN THE PUBLIC SERVICE SEEM TO ALWAYS BEAR THE BRUNT OF SUCH PENNY-PINCHING SCHEMES. THERE IS NO CORRESPONDING PRIVATE PENSION OFFSET, NOR SHOULD THERE BE. WE SHOULD NOT PENALIZE ANY GROUP OF RETIREES BY INSISTING THAT THEY BE DENIED THEIR DUE SPOUSAL BENEFIT SIMPLY BECAUSE THEY MANAGED TO EARN AN ADDITIONAL PENSION AS IS THEIR RIGHT. I KNOW THAT MOST WOMEN AFFECTED BY THE OFFSET APPROACH RETIREMENT WITH THE EXPECTATION THAT BOTH THEIR SPOUSAL BENEFIT FROM SOCIAL SECURITY AND THEIR OWN PENSION WILL ENABLE THEM TO MAINTAIN A DECENT STANDARD OF LIVING, ONLY TO LEARN UPON RETIREMENT, THAT THEIR ANNUITY WILL BE REDUCED BY SEVERAL HUNDRED DOLLARS. MOST GOVERNMENT EMPLOYEES IN THE UNITED STATES DON'T EVEN KNOW ABOUT THE OFFSET.

I HAVE ALSO INTRODUCED H.R. 202 THAT WOULD AMEND OASDI TO RESTORE SOCIAL SECURITY MINIMUM MONTHLY BENEFITS FOR FUTURE BENEFICIARIES. MY BILL H.R. 204 WOULD PROVIDE FOR THE PAYMENT OF A TRANSITION BENEFIT IN THE CASE OF THE DEATH OF THE SPOUSE OF AN INSURED INDIVIDUAL WHERE THE SURVIVING SPOUSE HAS NOT YET ATTAINED THE AGE OF FIFTY. H.R. 205 WOULD PROVIDE FULL BENEFITS

FOR DISABLED WIDOWS AND WIDOWERS WITHOUT REGARD TO AGE; AND H.R. 206 WOULD PROVIDE THAT "YEARS OF COVERAGE" FOR PURPOSES OF COMPUTING THE SPECIAL MINIMUM BENEFIT MAY INCLUDE UP TO TEN ADDITIONAL YEARS IN WHICH SUCH INDIVIDUAL HAD A CHILD AGE SIX OR YOUNGER IN HIS OR HER CARE.

I ALSO FULLY SUPPORT THE WOMEN'S CAUCUS ECONOMIC EQUITY ACT H.R. 3085 WHICH INCLUDES THE LANGUAGE OF MY BILL, H.R. 203. THIS BILL WOULD PROVIDE THAT THE COMBINED EARNINGS OF A MARRIED COUPLE WHICH ARE ATTRIBUTABLE TO THE PERIOD OF THEIR MARRIAGE SHALL BE SHARED EQUALLY BETWEEN THEM. THIS IS TO RECOGNIZE THE EQUAL CONTRIBUTION MADE TO THE ECONOMIC EQUITY OF THE COUPLE. THE ECONOMIC EQUITY ACT ALSO INCLUDES A PROVISION DRAFTED BY CONGRESSMAN OBERSTAR WHICH WOULD AMEND TITLE II OF THE SOCIAL SECURITY ACT TO REPEAL THE SEPARATE DEFINITION OF DISABILITY PRESENTLY APPLICABLE TO WIDOWS AND WIDOWERS. CURRENTLY, A WIDOW OR WIDOWER IS REQUIRED TO DEMONSTRATE "INABILITY TO PERFORM ANY JOB" TO QUALIFY FOR DISABILITY BENEFITS, WHILE WORKERS ARE ONLY REQUIRED TO SHOW INABILITY TO PERFORM THEIR OWN JOB. THIS PROVISION WOULD ALSO PROVIDE FULL BENEFITS TO DISABLED WIDOWS AND WIDOWERS FOR SOCIAL SECURITY WITHOUT REGARD TO AGE, AND WOULD EXTEND THE ELIGIBILITY OF WIDOWS AND WIDOWERS WITHOUT REGARD TO AGE FOR SOCIAL SECURITY TO TAKE INTO ACCOUNT THE AMOUNT OF TIME WORKED BY THE SURVIVING SPOUSE.

MR. CHAIRMAN, GIVEN THE STATISTICS I HAVE CITED ABOVE AND THE TESTIMONY OF OTHER GROUPS THAT WILL BE OFFERED HERE TODAY, SUCH AS THE OLDER WOMEN'S LEAGUE AND THE NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE, I URGE THIS COMMITTEE TO CONTINUE ITS FOCUS ON THE DISPROPORTIONATE ADVERSE IMPACT THAT CURRENT SOCIAL SECURITY LAW HAS ON DISABLED WIDOWS, DIVORCED SPOUSES, AND OTHER UNMARRIED WOMEN. WOMEN CAN ONLY ACHIEVE REAL EQUALITY IN AMERICA WHEN THEY HAVE ECONOMIC EQUALITY.

THANK YOU, MR. CHAIRMAN, FOR HOLDING THIS VERY IMPORTANT HEARING AND ALLOWING THESE MANY CONCERNS TO BE AIRED HERE TODAY. I APPRECIATE THE OPPORTUNITY TO HEAR THE TESTIMONY OF THE WITNESSES BEFORE GATHERED BEFORE THIS SUBCOMMITTEE.

Mr. HUGHES. Thank you, Mary Rose.

At this time, if there are no objections, I would like to submit the prepared statement of Representatives Downey and Costello for the hearing record. Hearing none, so ordered.

[The prepared statements of Representatives Downey and Costello follows:]

STATEMENT OF THE HONORABLE THOMAS J. DOWNEY

"WOMEN IN RETIREMENT: ARE THEY LOSING OUT?"

May 22, 1990

I would like to commend Chairman Hughes for calling this important hearing today on women and retirement. In addition, I would like to congratulate the Older Women's League for the completion of their most recent study, "Heading for Hardship" which shows a vast disparity in income between retired men and women. The Older Women's League under the leadership of Lou Glasse (from my home state of New York) has been instrumental in providing Members of this Committee and the Congress with vital information on America's women and their needs.

As the Chairman of the Subcommittee on Human Services, I am very concerned about the results of this study. An historic increase has taken place in the proportion of time spent by women in work outside the home. More women have entered the labor force. Since 1900, the average number of years spent by women in the labor force increased from 6.3 to 29.4 years and from 13 percent of the lifespan to 38 percent. But for too long working women have taken an economic back seat to men in the workplace, and while equity is becoming a reality on the job in some areas, women are finding that their retirement benefits will not match those of their male colleagues. We find in retirement that earlier inequities in earnings persist and are magnified. Women, who have worked so hard to catch up with men in the workplace may never have a chance to catch up in retirement.

Older Americans as a group have a lower economic status than other adults in our society. In retirement, elderly persons lose earnings and become reliant instead on Social Security benefits supplemented with pensions and assets accumulated over their lifetimes. Because for the most part there is limited potential to improve their income, older persons in general become economically vulnerable to circumstances over which they have no control such as the loss of a spouse, health related problems, and inflation. For women, the situation is much worse. The low incomes of older women are largely associated with a pattern of lifelong dependency on men.

However, as the traditional roles of women continue to change, changes become essential in the way Social Security and pension systems are designed.

I agree with the Chairman that fundamental changes are needed in our nation's retirement programs to remove the prejudices that exist against women. This is the time to to make those changes. It is a case where equity delayed is equity denied, and it is our responsibility to work together to enact those changes. The Older Women's League has issued a challenge to Congress, and I think it is time we meet it.

I look forward to hearing the testimony given today.

OPENING STATEMENT

BY U.S. REP. JERRY F. COSTELLO

HOUSE SELECT COMMITTEE ON AGING

HEARING OF THE SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

"WOMEN IN RETIREMENT: ARE THEY LOSING OUT?"

MAY 22, 1990

Mr. Chairman, I am concerned with the outcome of a recent study which shows that our nation's retirement income programs are biased against older women. I am pleased, however, that Congressman Hughes has scheduled today's hearing to focus our attention on this important issue.

Currently, the Social Security and pension systems benefit male work patterns. It is disturbing to learn from a report completed by the Older Women's League that the poverty rate for older women is 70 percent higher than that of older men. This alarming trend is taking place at a time when more women than ever are entering the nation's workforce and contributing to Social Security. With many of my consitituents from the 21st District of Illinois expressing concern about the state of the Social Security and the retirement pension system, I feel compelled to investigate this issue further.

The expert witnesses at this hearing will provide invaluable insight to the complex problems and possible solutions facing our older women citizens. I look forward to hearing today's testimony. In conclusion, I would like to thank you, Mr. Chairman, for your continued leadership and for conducting this hearing.

I would like to welcome at this time our first panel of witnesses here this morning. The subcommittee has your written testimony and that will be included in the record in its entirety. And we would appreciate it if you could summarize your testimony so that we could get right to the questioning.

Our first witness is Ms. Evelyn Goodman, who is from New York City and will be describing the economic hardships she will face in retirement.

Judith Rensberger, our second public witness, will describe the impact divorce and years spent caregiving will have on her retirement. I would like to thank both of these ladies for sharing these stories with us this morning.

I am also very pleased to welcome this morning a constituent of mine, Ms. Shirley Reses. Ms. Reses is the executive director of the Jewish Older Adults Citizens of Atlantic County, New Jersey, one of the counties in my own congressional district.

Also providing testimony and a panelist this morning is Ms. Lou Glasse. Ms. Glasse is president of the Older Women's League, which is a nonprofit organization that focuses on the concerns of midlife and older women. Ms. Glasse is a former commissioner of the New York State Office for the Aging and a past president of the National Association of State Units on Aging. Mrs. Glasse will give a summary of the recently released Mother's Day Report which goes into great detail about the discouraging retirement income future of women.

Ms. Regina O'Grady LeShane, Ph.D., is an assistant professor of Boston College's Graduate School of Social Work where she teaches courses in social gerontology, social policy, and community studies. As an expert on women and Social Security issues, Ms. LeShane will discuss her research regarding the impact caregiving has on women's retirement income. She will also discuss the various proposals to compensate caregivers within the Social Security system.

Ms. Judsen Culbreth is editor-in-chief of "Working Mother Magazine." Ms. Culbreth is a former editor of several other magazines, including "Redbook," "Mademoiselle," "Ladies Home Journal." Ms. Culbreth will be giving the demographics of working women in America and will testify as to the unresponsiveness of policymakers regarding the inequity of women's retirement income.

We welcome each of the panelists, and I understand we have decided that, Ms. Goodman, you will be first. Welcome.

PANEL ONE: CONSISTING OF EVELYN GOODMAN, SINGLE MOTHER, NEW YORK, NY; JUDITH RENSBERGER, SINGLE MOTHER, FREDERICK, MARYLAND; SHIRLEY RESES, EXECUTIVE DIRECTOR, JEWISH OLDER ADULT SERVICES, ATLANTIC COUNTY, NEW JERSEY; LOU GLASSE, PRESIDENT, OLDER WOMEN'S LEAGUE, ACCOMPANIED BY LAURA LOEB, DIRECTOR OF PUBLIC POLICY, OLDER WOMEN'S LEAGUE; REGINA O'GRADY-LESHANE, ASSISTANT PROFESSOR, BOSTON COLLEGE, GRADUATE SCHOOL OF SOCIAL WORK, CHESTNUT HILL, MA; AND JUDSEN CULBRETH, EDITOR-IN-CHIEF, WORKING MOTHER MAGAZINE

STATEMENT OF EVELYN GOODMAN

Ms. GOODMAN. Good morning, Chairman Hughes and distinguished members of the committee. My name is Evelyn Goodman. I am very excited and honored to be able to testify before this committee and to be a part of our Nation's legislative process. Thank you for the opportunity.

I appreciate the subcommittee holding a hearing on this very important issue concerning women. I am here to speak not only on behalf of myself, but for all women in similar situations, women working all our adult lives in and out of the home and now finding ourselves with a retirement income that is nonexistent, given the nature of the Social Security law.

I am 62 years old. I am divorced. I was married for 18 years and raised two wonderful children, one of whom was an assistant U.S. attorney in Washington, DC. I began working at age 15 at a summer job and I worked part-time all through college. My adult working career started in 1948 at age 20 as a teacher in a daycare center for disadvantaged children in Bedford Stuyvesant in Brooklyn with a salary of $1,800 a year. I moved to the board of education where I taught kindergarten and got a higher salary, $2,500 a year.

When I had my children there was no choice for me about staying home to raise them. How could I give my love, my caring and training to other people's children and allow mine to be cared for by a babysitter? But, what I did not know then was that each year I was out of the paid workforce on childcare leave, I was accumulating zero years, which would be averaged into my Social Security contributions and would greatly diminish my benefits in years to come.

When my husband and I were separated, I went back to work out of the home, substitute teaching in the New York City public schools and being a T.V. producer for an educational program on channel 31, the New York City public television station. I taught multiple-handicapped children, profoundly disabled children, and gifted children before I came to the New York State Division of Human Rights, where I am currently working investigating cases of discrimination.

Now that I am considering retirement, I began to look into my Social Security benefits and, to my consternation, found that zero averaging was discriminating against women. Women are adversely affected, as they are out of the workforce an average of 11.5 years, as compared to men's 1.3 years. I have found out from the

Social Security Administration that my monthly Social Security benefits will be $450 a month, due to the 14 zeros I collected being a wife, homemaker, and mother and working in traditional low-paying women's work.

$450 a month in New York City in 1990 cannot even rent you a single room with a kitchen burner and a toilet in the hall in a slum tenement building. A man with average male earnings compared to my female earnings and with no zero years would be receiving $704 a month, or more than 1.5 times my benefits. This difference in benefits amounts to $3,048 a year, or $36,576 over 12 years.

My life has been devoted to public service. All my jobs have been giving to society in what I believe is an important and meaningful way, and in my old age $450 a month is what society is giving to me. Society is telling me it didn't value my work then and still doesn't now.

If I may compare my situation to that of First Lady, Barbara Bush, Mrs. Bush also spent her lifetime giving to society by raising a family and doing volunteer work and helping her husband's career. When some students at Wellsley criticized Mrs. Bush for not being a good role model, the public, the media, and policymakers from both parties came to her defense. Most everyone was quick to provide value to her contributions to society but, in fact, we live in a society that only recognizes her contributions through rhetoric and not through economic security. Mrs. Bush's retirement income is totally dependent on her husband's contributions. She, too, could be one man away from poverty.

This past Saturday I helped organize a Northeast Regional Conference for the Older Women's League in New York City. At this conference, a key staff person of Senator Daniel Patrick Moynahan spoke, and he stated that it would be possible for Senator Moynahan, who chairs the Social Security Subcommittee of the Senate Finance Committee, to hold a hearing on women and Social Security this year. We intend to make sure that this hearing comes to pass.

The devaluation of women's work and contributions will continue unless Congress can provide the leadership to make changes. I implore congress to provide that leadership. Thank you.

Mr. HUGHES. Thank you very much Ms. Goodman. Ms. Rensberger, welcome.

STATEMENT OF JUDITH RENSBERGER

Ms. RENSBERGER. Mr. Chairman, my name is Judith Rensberger. I am a single mother of two teenage sons, one of whom is attending this hearing today. I was recently divorced after a 23-year marriage. For nearly 14 years, I was a full-time mother.

For these reasons, retirement income is suddenly of great concern to me. I have no pension anywhere. No savings, investments, IRA, CDs, life insurance, anything. And I have just learned about the zero years. I do own my own home. I got it by giving up everything else in the divorce negotiations. I also got the monthly mortgage payment that goes with it, and it takes 50 percent of my take-home pay. I recently learned that I have enough Social Security credits to qualify for disability benefits. If I become disabled, the

monthly benefit to which I am entitled will cover one-third of my monthly mortgage payment.

I hold a full-time job in Washington and a half-time job in Frederick. I also do freelance editing, and during the Christmas season I work weekends at Woodies.

I mention all this not because it is unusual—because it is not at all; for women of my generation it is depressingly common. Women like me are what I call the transition generation. We were born in the forties and we're now about to turn 50.

Our role models were our mothers. They took us to ballet class, piano lessons, and swim practice. They sewed our costumes and our majorette outfits. They were our Girl Scout leaders and our home room mothers.

When I was growing up, nobody got divorced—nobody I knew, anyway. My own parents were married 40 years, until my mother's death. But somewhere along the line the rules changed. Out of the 102 women in my freshman college dorm, class of 1963, most dropped out after their sophomore year, married and had children. Only four of us graduated, and just one of us, me, went on to graduate school. Today, half of us are divorced mothers.

I began paying into Social Security at the age of 16. That very first year, which was 1957, I earned $421 and I paid $9 in Social Security taxes. I kept that job for several years and so my work record shows 8 years of covered employment by the time I graduated from college. Today I am grateful for those years, because I know that at least I will qualify for Social Security retirement benefits.

After graduate school, I got married, worked a few years, and then became a mother. I spent most of the next decade and a half at home raising my children. I went where my husband's career took us, moving our family from Detroit to New York to Nairobi, back to New York and then to Washington. I did volunteer work, but mostly I was just a mom, encouraging my children's poetry, their stories, their artwork, and their science projects.

According to my Social Security work record—the Personal Earnings and Benefit Estimate Statement—all of this translates into 9 zero years and 5 near-zero years. In all, my work record shows 12 years in which I earned less than $1,000 a year. A zero year is a year out of the workforce. And when it comes time to compute Social Security eligibility and benefits, zero years are not simply ignored or discounted; they are averaged in, so the impact is not zero at all, but a very heavy minus. I did not know this until recently, and my guess is that most other women don't know it either.

I'll leave the suggestions for long-term solutions to the experts. But I do have a couple of suggestions for things that can be accomplished now and at little cost.

First, I think the Social Security Administration should undertake a public education campaign and tell it like it is to all women, but especially to young women. The agency should say something like this: "If you choose to get off the career treadmill long enough to raise your babies yourself, you will be penalized and it may be impossible to ever catch up." Or, "If you choose to take care of a sick or disabled parent for a long period of time, you will be penal-

ized. My view is that simply making the facts widely known might do a lot to bring about change.

I would also like to see changes in laws giving divorcing women an interest in their husbands' pensions. I would like to see a law that prevents women from negotiating away that interest. Unless that is done, I believe that many women will do what I did, which is to give up that pension in order to hang on to the family home.

One thing that places women at a disadvantage in divorce is that they are advocating, not only for themselves, but for their children. Sometimes there are several children with very different kinds of needs.

Taking the pension out of the divorce negotiations might help even things up and it can preserve a little security and a little retirement income for women who have so little, thanks to the zero years. There has also been a lot of discussion about portable pensions and encouraging job-changers to roll them over when they go from one job to another. I think that is an excellent idea.

For the long haul, the Social Security system has to somehow find a better way to assess zero years. When I look at my own sons—now grown straight and tall—I think those were not zero years at all; they were double plus years. Thank you.

Mr. HUGHES. Thank you very much, Ms. Rensberger, for that wonderful statement. Ms. Reses, Welcome.

STATEMENT OF SHIRLEY RESES

Ms. RESES. Thank you. Good Morning. I am Shirley Reses, executive director, Jewish Older Adult Services of Atlantic County. Thank you, Chairman Hughes, for holding today's hearing and showing interest in the issue of retirement income and women.

This issue concerns me from both a personal and professional perspective. I became a beneficiary of the Social Security system in 1940 at 4 years of age, when my 36 year-old mother was widowed with two young daughters. I grew up with and have today a great respect for the system and the benefits it provides.

However, it is now 1990 and 50 years have passed. The Social Security system has seen few changes to accommodate the vast changes in society. Women are living longer on benefits not adequately adjusted for the times.

I look at my older sister, a widow, who at the age of 66 would like to retire, but cannot. The years she spent in child rearing as a young women and caring for a sick husband in the middle years have negated many of the benefits of her working years.

I look at myself. As a young wife, I spent 15 years in child rearing, working part-time with no salary to help my husband build a business. This was not unusual. I have paid into the Social Security system for 11 years. I will continue to pay into the system until retirement. Those years of payment will possibly be negated in favor of my husband's benefit.

To look ahead, with the current system in place, my 30 year-old daughter must decide if she is to take years for child rearing, then return to the workforce, and possibly be punished for her decision at the time of her retirement.

I represent three generations of working women in one family who, in all probability, will have paid into the Social Security system for 80 years, only to receive minimal direct benefits related to their working years. There is no evidence that my daughter will have an economic retirement future that is significantly different from those of her grandmother and mother as it relates to her Social Security benefits. If our Nation's Social Security and pension programs remain fundamentally unchanged, the retirement income future is unlikely to get any brighter for women.

Jewish Older Adult Services of Atlantic County is a nonprofit, multi-disciplinary, nonsectarian agency which serves close to 2,000 older adults, more than 85 percent of them women. They are community-residing elderly. For the most part, they are socio-economically-deprived women over the age of 75. Sixty percent of these women were not always poor. They became poor when they became widows.

Many of these women drew early spouse benefits because of their need of immediate income. With the death of their spouse, they lost complete access to pension income or received drastically-reduced pension benefits. They could not consider the consequences down the road, and the road is hard for them. Almost four times more widows live in poverty than do wives the same age.

I share with you one women's experience. A grieving widow, she was suddenly confronted with reduced income. Unable to make ends meet, unable to maintain the home she had known for years, she was forced to move from the proud independence of married life to the poorly subsidized life of widowhood. It was a traumatic transition, tragically suffered at a time of emotional vulnerability, and it did not get better. Hers is one of many such stories.

The poorest women are those who never married. The single woman typically was in and out of the work force as the need of her family demanded. She cared for her ill elderly parents and earned little in meager jobs. She suffers the economic results of her caregiving. In 40 years, when today's 25-year-old retires, fewer women will be retiring married and, therefore, fewer will have access to a husband's retirement income. Inequities in the system promise no better for future generations. Does the country plan to accelerate subsidized housing, subsidized food programs, and subsidized health care to be utilized by rapidly growing numbers of older women? Is this the future for women? It should not be.

Public policy on Social Security, pensions, and retirement income must become acutely sensitive toward redressing inequities and imbalances endured by women. There are no sound biological social or economic reasons why the Nation should continue the economic deficits for women that become so acute in older ages. In many ways, the future success of all serious public policy decisions on aging issues lies in the capability of insuring full equality for older women.

Chairman Hughes, your leadership strength can make a positive impact on this important national issue. Thank you for the time, energy, and expertise you are devoting to this concern. Thank you.

Mr. HUGHES. Thank you very much, Mrs. Reses. Mrs. Glasse, welcome.

STATEMENT OF LOU GLASSE

Mrs. GLASSE. Thank you very much. Chairman Hughes and distinguished members of the subcommittee, the Older Women's League commends the chairman and its members for continued leadership on retirement income equity issues. The issue of today's hearing is of the utmost importance, that our Nation's retirement program, specifically Social Security and pension plans, are not responding adequately to the retirement needs of older women. Steps must be taken to remedy this.

As the chairman knows, OWL recently released its annual Mother's Day Report, which dealt with this very topic. The report found that Social Security and pension plans are geared to the typical male work pattern, which is different from the typical female work pattern. Enacted 55 years ago, the Social Security system best serves families that consist of a life-long breadwinner, a life-long homemaker, and children. Less than 10 percent of American families fit that definition today and even fewer will fit this mold tomorrow.

[See appendix, p. 161 for "Heading for Hardship: Retirement Income for American Women in the Next Century,"the Older Women's League Mother's Day Report 1990.]

Social Security fulfills its mission of providing a secure retirement income for men, but not for women. While it is true that Social Security was always designed to be supplemented with other income when one reaches retirement age, for women, Social Security has become nothing more than the supplement, rather than the floor and mainstay it was intended to be.

Because women's wages continue to lag significantly behind men's, because women continue to live longer, and because women continue to be the primary caregivers of both children and adults, fundamental changes are needed in Social Security. If these reforms are not made, poverty among the elderly will be confined to older women.

Despite a dramatic increase of women entering the labor force since 1970, women's average Social Security benefits have gained only 3 cents on the dollar to men's. Now the average benefit for women is 73 percent of men's benefits. Furthermore, pension benefits reward the highly-compensated and the long-time worker. Pension coverage is seldom available for workers in small businesses, workers who are part-time and who are low-salaried—all areas where women are over-represented.

Only half as many women receive pension benefits, 23.5 percent, in comparison to 46 percent of men. But of those who do receive benefits, the average pension income for women is 60 percent of that of men.

Our files are filled with painful and angry letters from women who have complained of the inequities in the income system. A factory worker in North Carolina wrote that she worked for 26 years at the same factory. She dropped out of work for 3 years, from 1970 to 1973, due to her husband's illness. She did not receive pension credit for those first 10 years. Her pension income for 26 years of work is $16 a month. Her Social Security benefit is $385. She says it is almost impossible to live on that.

A retired registered nurse from California wrote that she was not able to be employed more than 2 or 3 days a week while her children were small until they entered high school. But the hospitals were underpaying nurses and they had no pension plan. So, her total income is $407 a month.

A New York woman, now 76 years-old, is still working as a secretary. She worked 6 hours a day for 6 years and now full-time for the last 2 years. Though her firm has a noncontributory pension plan, she is not included.

A 66-year-old divorced women from New Jersey said that she had worked for the same firm for 10 years and hoped to continue until she was 70 years of age. She makes $7 an hour, but her employer has no pension plan. She has learned from Social Security that her benefit will be between $375 and $400 a month.

These stories are not unusual, but it is disgraceful that in America women cannot meet family responsibilities and protect themselves in old age. We must change this system.

OWL's policy recommendations for Social Security are grouped into two categories, incremental solutions to help those most severely disadvantaged under the current system and, secondly, a comprehensive approach to make the system more inclusive and equitable.

One, provide childcare dropout years. This option would assist workers who leave the workforce for a year or more to care for a child by excluding from the computation of Social Security benefits up to 10 years in which the worker: a) had a child under seven living with him or her and b) had no or minimal covered earnings. A version of this option was included in the Senate version of the bill that became the Social Security amendments of 1983; however, this provision was deleted in conference. This option could be phased in.

Now, this incremental approach regrettably ignores the role women play as primary caregivers of seriously ill adults. These dropout years could be phased in for adult dependent care.

Two, provide dependent care credits. This option would credit a worker's Social Security record with the base amount for each year that the worker had a child under age seven living with him or her or the worker was caring for a severely disabled spouse or parent and the worker had no or minimal covered earnings.

Three, caregivers of disabled spouses should be allowed to draw their spouse benefit early. Social Security does not provide spouse benefit to spouses under 62 who are caring for disabled workers in need of aid and attendance. These spouses are providing a valuable service, possibly allowing the disabled worker to remain at home rather than go to a nursing home. On the other hand, the caregiving spouse may be prevented from entering and remaining in the workforce and in need of early benefits.

Four, upon divorce, allow Social Security credits to be divided. This option would allow divorce courts to consider Social Security credits as marital property and would allow divorce orders to include an equitable division of Social Security credits. Under current law, a divorced spouse married for over 10 years receives only one-third the Social Security benefits the couple would receive—which is not enough to live on.

Five, allow couples to reduce their benefits so the surviving spouse can receive greater benefits. This option would allow couples the choice of receiving reduced Social Security benefits while both are living so that the surviving spouse may receive greater benefits than under current law. Half of all poor widows are not poor before widowhood, as you have heard. Often the spouse loses her deceased spouse's pension benefit or receives a much reduced benefit. A practice similar to this is used with private pension plans. The Commonwealth Fund Commission on Elderly People Living Alone is studying this option and should be issuing a report soon.

Six, the comprehensive earnings share approach should be implemented. As long as there continues to be a large wage gap between men's and women's earnings and women continue to be the primary caregivers of children and parents, thereby leaving the workforce or taking part-time or low-paying jobs, women's Social Security benefits will continue in perpetuity to lag far behind mens. Almost three-quarters of the poor elderly are women. We must find solutions to these issues. There resolution will not be easy, but failure will devastate millions of women.

Seven, pension reforms. We urge that pension integration be completely eliminated and pensions should be portable. Pensions are part of employee benefits and should go with the employee when the employee changes jobs. Coverage should be expanded to include part-time workers on a pro-rata basis and should reach more lower paid workers. Additionally, waiver forms of survivor benefits must be easy to read and understand. A recent GAO report showed that the majority of waiver forms required at least a 12th-grade reading level.

In conclusion, much can be done to provide greater equity within Social Security and pension programs, and we look forward to working with you and your staff to draft legislation to remedy many of the problems. We thank you for your concern and this opportunity to testify, and wish to work with you in the future. Thank you very much.

[The prepared statement of Mrs. Glasse follows:]

OLDER WOMEN'S LEAGUE

NATIONAL OFFICE

STATEMENT OF LOU GLASSE,

PRESIDENT OF THE OLDER WOMEN'S LEAGUE

BEFORE THE SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

OF THE SELECT COMMITTEE ON AGING

OF THE U.S. HOUSE OF REPRESENTATIVES

ON THE EFFECTS OF RETIREMENT INCOME POLICIES ON OLDER WOMEN

MAY 22, 1990

For more information contact:
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CHAIRMAN HUGHES, AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE:

The Older Women's League (OWL) commends the Chairman for his continued leadership on retirement income equity issues. Today's hearing is over an issue of the utmost importance--how our nation's retirement programs, specifically Social Security and pension plans, are not adequately responding to the retirement needs of older women and what steps must be taken to remedy this situation.

I. THE PROBLEM

As the Chairman knows, OWL recently released its annual Mother's Day report, which dealt with this very topic. A copy of the report has been distributed to each Member of Congress.

The report finds that Social Security and pension plans are geared to the typical male work pattern and not the typical woman's. Enacted 55 years ago, the Social Security system best serves families that consist of a lifelong breadwinner, a lifelong homemaker, and children. Less than 10 percent of American families fit that definition today--and even fewer will fit this mold in the future.

Social Security fulfills its mission of providing a secure retirement income floor for men, but not for women. While it is true that Social Security was always designed to be supplemented with other income when one reaches retirement age, for women, Social Security has become nothing more than the supplement, rather than the floor and mainstay it was intended to be.

Because of three factors--that women's wages continue to lag significantly behind men's; that women continue to live longer; and that women continue to be the primary caregivers of both children and adults--unless fundamental changes are made to Social Security, poverty among the elderly will be confined to older women.

In 1989, women's Social Security monthly benefits averaged 73 percent of women's, $458 to $627. Despite a dramatic increase of women in the labor force, this average has increased only slightly since 1970, when women's benefits averaged 70 percent of men's. And in fact the average Social Security benefit for a retired woman worker compared to that of a retired male worker has decreased over the years from a high of 79 percent in 1940 to 76 percent in 1989.

As currently established, pension benefits reward the highly compensated and the long-time worker. Pension coverage is seldom available for workers in small businesses, workers who are part-time, or workers who are low-salaried--all areas where women are over-represented.

Only half as many women as men are receiving pension benefits--23.5 percent to 46 percent. The average pension income for women who are receiving benefits is 60 percent that of men.

II. LIVING WITNESSES TO THE INEQUITIES

Our files are full of living witnesses to the inequities within the Social Security and pension programs. I quote from some letters we have received:

A factory worker in Wilmington, North Carolina wrote, "I worked in a factory ... from 1960 until 1970. Due to the illness of my husband, I left the company for three years. I went back to work for then in 1973 and worked until 1973 and worked until July 1989. Now they tell me I will not receive any pension for those first 10 years, only the last 16, which is about $16 a month. I gave them nearly 30 years of my life.... I receive $385 a month for Social Security. It is almost impossible to live off that."

Another wrote, "We were married 27 years. All of my husband's 25 years of work were performed during these years. Now we are divorced, but the attorney I contacted tells me I cannot get a court order to share my former husband's pension because the law is too vague."

Another, OWL member from La Mirada, California wrote, "I fit the pattern of Social Security inequity and so do all of my friends. Until my children were in high school, I could work only 2 or 3 days a week (and registered nurses have always been underpaid!). Until very recently hospitals offered no retirement plans or deferred compensation savings plans. So at 65 we are all left with pitifully small Social Security benefits. Mine is $407 per month."

From New Rochelle, New York a woman wrote, "Still working at age 76 as a Secretary. Worked so far--6 years and 3 months--Six years at 6 hours per day (no lunch hour), 2 years as a full-time secretary (no lunch hour). Firm employs 30 people full-time and has a non-contributory pension plan to all these full-time employees--but not for me."

Finally, a member from Morris Plains, New Jersey wrote, "I am 66 years old and hope to continue to work until I'm 70 or older. I ... earn $7.00 an hour. I have consulted Social Security and find I will receive approximately $375-$400 monthly ... under my Social Security as a divorced spouse and there is no pension under my employer though I have been here 10 years. I have never taken a sick day--there is no reward for good work either."

III. SOME POSSIBLE SOLUTIONS

A. SOCIAL SECURITY

Regarding ways to remedy some of the inequities, our policy recommendations for the Social Security system may be grouped in two categories--incremental solutions that could help those most severely disadvantaged under the current system, and secondly, a comprehensive approach to making the system more equitable.

1. Provide Child Care Dropout Years

This option would assist workers who leave the work force for a year or more to care for a child by excluding from the computation of Social Security benefits up to 10 years in which the worker a) had a child under age 7 living with him or her and b) had no or minimal covered earnings. A version of this option was included in the Senate version of the bill that became the Social Security Amendments of 1983; however, this provision was deleted in conference. This option could be phased in.

2. Provide Dependent Care Credits

This option would credit a worker's Social Security record with a base amount for each year that the worker had a child under age 7 living with him or her or the worker was caring for a severely disabled spouse or parent and the worker had no or minimal covered earnings.

3. Caregivers of Disabled Spouses Should Be Allowed To Draw Their Spouse Benefit Early

Social Security does not provide spouse benefits to spouses under 62 who are caring for disabled workers in need of aid and attendance. These spouses are performing a valuable service, possibly allowing the disabled worker to remain at-home and not in a nursing home. These spouse caregivers are making tremendous personal sacrifices and should be allowed to receive their spouse benefit early before age 62, since caregiving may prevent the spouse from entering or remaining in the work force.

If an adult disabled child who is receiving benefits is in need of attendant care, benefits are paid to a mother providing that care regardless of her age. Some states have found in their Medicaid programs that a small amount of money to family caregivers has enabled the caregivers to continue providing care longer, thus delaying institutionalization.

4. Upon Divorce, Allow Social Security Credits To Be Divided

This option would allow divorce courts to consider Social Security credits as marital property and would allow divorce orders to include an equitable division of Social Security credits. Under current law, a divorce spouse, married for over 10 years, receives only one-third the Social Security benefits the couple would receive.

5. Allow Couples To Reduce Their Benefits So the Surviving Spouse Can Receive Greater Benefits

This option would allow married couples the choice of receiving reduced Social Security benefits while both are living, so that the surviving spouse may receive greater benefits than under current law. Half of all poor widows were not poor before widowhood. Often, the surviving spouse loses her deceased spouse's pension benefit or receives a much

reduced benefit. A practice similar to this is used with private pension plans. The Commonwealth Commission on the Elderly Living Alone is studying this option and should be issuing a report soon.

6. Repeal the Stringent Test for Disabled Widows

When Congress enacted the Social Security disability program in 1967, it established a more strict test of disability for widows who applied for the insurance than for disabled workers. Congress was originally motivated by cost concerns, not knowing how many disabled widows were out there and by concerns that most widows did not have a paid work record, thereby impeding an evaluation of their ability to work under the general worker's test.

The general test requires that the Social Security Administration consider whether the worker can perform his or her prior work or taking into account the person's age, education, and work experience, whether there is other work in the national economy that the person can do.

In evaluating a widow's disability, however, the test looks only at the widows disabilities. If they are not so severe that they meet or surpass the list of impairments that are presumed to be so disabling that they always preclude work, benefits are denied the disabled widow. The widow's age, education, work experience are not considered.

Ironically, SSI uses the general worker's disability test under Social Security to test all persons, even disabled widows. Often, a disabled widow will be granted SSI disability, but not Social Security disability. Given the low average monthly benefit for disabled widows under Social Security, the only advantage to it over SSI is the eligibility for Medicare after two years.

OWL supports the proposal of the SOS Women's Task Force to define a widow's disability in a similar way as a worker's, regarding the inability to perform substantial gainful work and the consideration of age, education, and work experience in the determination of disability. We also support the elimination of the 50 year age requirement. A widow disabled at 40 and unable to perform any substantial gainful work should receive benefits.

Additionally, the requirement that the widow's disability have its onset within seven years of the wage earner's death should be eliminated or revised. The original rationale for the seven-year window was that widows should be able to earn their own worker benefit after that time period. However, the increased work force participation requirement to qualify for benefits means that widows in their late 50s could work every day after widowhood, past the seven-year eligibility period and still not have a work history sufficient to provide their own disabled worker benefits.

[To be fully insured disabled workers must have worked five out of the last 10 years and one year out of every four after age 21. A disabled widow at age 55, widowed at age 47 having worked every day since

widowhood, with no previous work history, would not qualify for disabled widow benefits under the seven-year rule and would not have enough work history to qualify for benefits as a disabled worker.]

Even if the disabled widow did have enough earnings credits to qualify for her own disabled worker benefits, those benefits are very likely to be below even the pitifully reduced benefits available to the disabled widow on her deceased spouse's record. Her average benefits would be reduced by years spent out of the work force caring for child and/or her spouse, and her earnings are liable to be very low if she is an older woman re-entering the work force.

Why must a disabled widow be held to such a higher standard than the widow who would draw 100 percent of the benefits of the deceased spouse if she retired at age 65? The disabled widow must first meet the definition of disability, which even using the standard for the disabled worker, is not such an easy feat to accomplish. The standard for substantial gainful activity is able to earn $500 a month. If she is judged to be unable to perform any substantial gainful activity then she should be eligible to draw on her spouse's record, with no other qualifications.

And finally, something must be done to provide disabled widows with a sufficient benefit to live on. In 1988, the average monthly benefit for a disabled widow was $348--or $4,176 a year--well below the federal poverty level and even below the federal standard for SSI. For a black disabled widow, the average monthly benefit was even lower--$302 a month or $3,624 a year. The average benefit for a disabled widower was $211 a month. Let us not forget that by definition these are persons unable to perform any substantial gainful work. Since they are involuntarily out of the work force, OWL would argue that their benefits should be 100% of the Primary Insurance Amount (PIA), as is a widow's benefit. She should get the same amount she would have received from her deceased spouse's earnings record as if she had retired at age 65, since circumstances have forced her out of the work force and rendered her unable to earn a living.

We recognize that such an increase would put the disabled widow in a better position than the widow who chooses to retire early and only receives a big reduction in her benefits. We would, however, advocate other changes both inside and outside the Social Security program to assist the widow who could work but chooses to retire early because she needs the benefit immediately.

For one, some widows may be meet the standard for disability, as they are unable to perform any substantial gainful activity which is why they need their benefits early. For widows who are able to work, but whose wages are very low and must be supplemented with Social Security benefits, the earnings test should be relaxed. Also job training and education programs need be available for these widows over age 60.

It makes no sense, however, to lock disabled widows into the same reduced benefits (71.5 percent of PIA) as widows who take early retirement at age 60. The widow has chosen early retirement, the disabled widow has not.

7. Allow a Disabled Spouse To Receive Benefits at Any Age

Given that an adult disabled child can receive benefits at any age, a disabled spouse should receive the same benefit. The disabled spouse should be allowed to receive the same benefits early as if they had reached retirement age.

8. Two-Year Waiting Period for Divorced Spouses Over 62 Should Be Eliminated

Currently, a spouse age 62 or over and divorced from a worker not drawing on his or her Social Security benefits cannot receive benefits on the worker's record unless they have been divorced for at least two years. Originally, this two-year waiting period was required to prevent sham divorces. Apparently, Congress could not dream that persons over 62 could ever really divorce. Instead, Congress assumed that persons getting divorced after age 62 were divorcing and really living together so the nonworking spouse could draw the benefit, while the other spouse went on working, perhaps even past age 65 to receive delayed retirement credits.

Well, persons over 62 really do get divorced. People grow apart. The children are now gone and they realize they have nothing in common or one of them has an identity crisis and tosses aside the woman who lived with him for over 30 years, kept his house, raised his children, for someone his daughter's age. Sometimes these separations are very spiteful, where one spouse will continue working past age 65 for the sole purpose of denying benefits to the ex-spouse, who is over 62 and no doubt having a difficult time finding employment.

This two-year requirement should be completely eliminated. The cost should be relatively low. In 1988, there were 1,183,000 divorces with approximately two percent involving women over 60--or 23,660 women, most of whom did not have spouses still in the work force.

9. Deemed Spouse Status Should Be Used To Protect Good Faith Spouses

The spouse who discovers that she was never legally married must be protected. Often the "illegal" spouse does not discover this fact until she applies for dependent benefits or is already receiving benefits. Currently, the law allows the second spouse who married in good faith (the good faith spouse) to obtain benefits as a deemed spouse if she meets certain conditions. However, the good faith spouse loses all benefits when the "legal" spouse applies for benefits, even if she had been "married" to the wage earner for 30 years and the legal spouse had not seen the wage earner in decades.

The good faith spouse or widow and the divorced good faith spouse should be treated as a divorced spouse of the wage earner. To qualify, spouses would have to have married in good faith and the marriage would have to have lasted at least ten years.

10. Working Widows Should Be Allowed To Earn Delayed Retirement Credits

Currently, a widow who is over 65 and is working rather than drawing her widow benefits will probably never receive her delayed retirement credits (DRCs) for foregoing benefits past age 65. She will be accumulating DRCs on her own work record, but these will be lost once she retires, since at that time she will draw the higher of her widow benefit or her own earnings record. Most often, the higher will be her widow benefit. The solution would be amend the law to allow the DRCs calculated on her record to be added to her widow benefit.

11. Social Security Dependent Benefit Offsets for Public Pension Recipients Should Be Eliminated

Currently, public pension recipients will have their dependent's (spouse, ex-spouse, widow) benefit lowered by up to 2/3 of their public pension. For example, if a woman receives $480 per month as a civil service pension and is entitled to a $350 spouse benefit, her entire spouse benefit will be wiped out, because 2/3 of the public pension ($360) completely offsets the spouse benefit.

We believe there should be a gradual exemption from the offset. At some minimum base level of public pension benefit, no offset would occur. For pensions higher than this base amount, the offset would be 1/3 of the pension, graduated to the 2/3 current level.

12. The Special Minimum Benefit Should Be Increased

The monthly benefit should be increased, the amount of earnings needed to earn a year of coverage should be reduced and more than 30 years in the work force should count towards calculating the special minimum benefit.

13. The Earnings Limit Should Be Eliminated for Persons With Limited Earnings Without Private Pensions

While OWL is not supportive of complete elimination of the earnings limit or an indiscriminate raising of the limit, we do support a proposal put forward by the National Senior Citizens Law Center (NSCLC). That proposal would provide relief for the persons who are most in need--persons with little or no income, little or no savings, and the prospect of minimal Social Security benefits based upon the spouse's record or her own. For example, a divorced woman who had been a full-time homemaker.

For these women, the ability to work and receive Social Security is critical. These women could provide for their own futures if they were exempt from the earnings limit. The NSCLC rule would waive the

earnings test for a person with no more than 16 quarters of coverage during the years between her/his 30th and 50th birthdays and who was not employed in non-covered employment during that period.

14. A Comprehensive Earnings Sharing Approach Should Be Implemented

As long as there continues to be a large wage gap between men's and women's earnings and women continue to be the primary caregivers of children and parents, thereby leaving the work force or taking part-time or low paying jobs, women's Social Security benefits will continue to lag far behind men's in perpetuity. Almost three-quarters of the poor elderly are women. We must renew our debate on these issues and not delay because the solutions are not easy or immediate. We look to this Subcommittee to provide both leadership and a forum for these issues.

B. PENSION REFORMS

1. Eliminate the Practice of Integration

We were successful with the 1986 Tax Reform Act (TRA) in limiting integration to no more than 50 percent of a worker's pension, but only with respect to new accruals. Before the TRA, a pension plan was permitted to define its pension benefit such that the entire benefit could be offset completely by a worker's Social Security benefit. Even after the TRA, a retired worker may lose half of her pension through integration.

2. Make Pensions Portable

Because women tend to change jobs more often than men due to caregiving responsibilities, following transferred husbands, and leaving dead-end jobs, often they are not on a job long enough to vest and become eligible for benefits. A system should be developed whereby workers are able to take their pension funds from job to job.

In the alternative, the five year vesting rule should be reduced to three.

3. Employers Should Be Required To Cover More Workers

Employers who are receiving tax advantages for having pension plans should be required to cover 100 percent of their workers. Part-time workers would receive pro rata benefits. Employers should not be allowed to exclude lower-paid and part-time workers.

4. Waivers of Survivor Benefits Should Be Understandable

A recent report by the Government Accounting Office (GAO) showed that the average waiver of survivor benefits required a 12th grade reading level. A standard form should be developed that is easy to read and understand.

Ms. OAKAR. Thank you very much for your roadmap.

STATEMENT OF REGINA O'GRADY-LESHANE

Ms. LESHANE Thank you, Congresswoman Oakar and Congressman Tauke. My name is Regina O'Grady-LeShane, I am an assistant professor at Boston College Graduate School of Social Work. I welcome this opportunity to speak with you this morning about the impact of women's caregiving years on their retirement income. I will summarize the main points addressed in my prepared statement that will be entered into the record.

Social Security works. Were it not for Old-Age Survivor's Insurance benefits, many more older women would be poor than are poor today. Could Social Security work better? The answer, in my view, is yes. How? One way would be to take into account the fact that women balance work and family demands throughout their working lives. A policy which responds to these demands would more accurately reflect the reality of family life today in the United States.

At a minimum, I would recommend a modification of the special minimum benefit, along the lines that were recommended by the 1981 National Commission on Social Security. A more comprehensive approach would be the enactment of a policy of caregiving dropout years.

Unlike the early days of Social Security, women today are in the labor force in record numbers. But, as other speakers have mentioned this morning, they also leave the labor force for family reasons—caregiving. And there is a cost to their years of caregiving. Since Social Security is earnings-related, a benefit is calculated based on a worker's lifetime earnings. However, it is not only the lifetime earnings, but also the number of years over which those earnings are accrued that affects the amount of the benefit. Simply put, every year without earnings reduces a person's Social Security benefits.

In an analysis of newly-retired women workers, my colleague, Dr. Eric Kingson, and I found that every child raised is associated with a reduction in a woman's Old-Age Survivor's Insurance benefit of approximately $14 to $17 a month—that is the cost of caregiving.

Some policies have been proposed which are targeted to offset caregiving. Among these policies are childcare dropout years and a modification of the special minimum benefit. Both of these policies are fair and equitable. But, I would urge you to consider a broader policy of caregiving dropout years not tied to marriage.

Women's caregiving is not always related to marriage. First of all, not all women marry. Second, whether they marry or not, women may need to leave the labor force to care for a parent, sibling, or other relative who may require care.

Finally, if women do marry, they may need to leave the labor force for a husband who is ill. A caregiving dropout year not tied to marriage, but tied to leaving the labor force for the giving of care more broadly recognizes what has become the universality of women's caregiving.

If, however, only one action could be taken, then I would urge serious consideration of a modified special minimum benefit. The reason for this recommendation is based on concerns for the adequacy of the Social Security benefits for some women. In an analysis of women who are both working and receiving Social Security benefits, my colleague, Dr. June Gary Hopps, and I found that these women are long-term workers. Not only are they long-term workers, they have raised more children than retired women and the jobs at which they are currently working are service jobs. There are also some differences among these women which are based on race.

It is concerns for these women who have worked the longest and at the lowest pay that should be at the top of the agenda. No action, however, will be taken to improve the economic status of older women, which benefits us all, unless concerns about the adequacy of retirement income of women remains at the forefront of the public agenda. Keeping it at the forefront of the public agenda is a task in which we participate in today and I urge you to continue in this effort.

That concludes my prepared testimony and I will be pleased to answer any questions which you may have.

[The prepared statement of Ms. O'Grady-LeShane follows:]

Prepared Statement of Regina O'Grady-LeShane, Ph.D.,
Assistant Professor, Boston College, Graduate School of Social Work,
Chestnut Hill, Massachusetts

Mr. Chairman and Members of the Committee, my name is Regina O'Grady-LeShane. I am an Assistant Professor at Boston College, Graduate School of Social Work, Chestnut Hill, Massachusetts. I welcome the opportunity to speak with you this morning about the impact of women's caregiving years on their retirement income. I will summarize the main points addressed in my prepared statement that may be entered into the record.

Introduction

There are two reasons why we should all should be interested in social security's treatment of women.

First, for many older women social security is their only source of income. In fact, older women are almost twice as likely as older men to have social security benefits as their only source of income.[1]

Second, although the majority (close to three out of four) of older persons who are poor are women (U.S. Senate Committee on Aging et al., 1988), without Old-Age and Survivors Insurance (OASI) benefits many more older women would be living in poverty (O'Grady-LeShane, in press). The fact remains that, even with the program as currently structured, many older women are poor and still others have greatly reduced standards of living in their old age.

Social security works, but could it work better? The answer, in my view, is yes. How? One way would be to take into account the fact that women balance work/family

[1]For nearly one out of five older women, compared with 12 percent of older men, social security is their only source of income (U.S. Bureau of the Census, 1988).

demands throughout their working lives. A policy which responds to these demands would more accurately reflect the reality of family life. This conclusion is based on findings from my research which I'll briefly summarize.

Summary of Findings

• Every year out of the labor force associated with caregiving reduces a woman's OASI benefit. In an analysis of newly retired women workers, my colleague, Dr. Eric Kingson, and I found that every child raised is associated with a reduction in a woman's OASI benefit of approximately $14 to $17 a month.

• Again, in that same study, we found considerable variation in the timing of caregiving. Previous studies of women's labor force participation patterns point to considerable variation in women's work lives and to that I would add that there is no "typical" pattern of caregiving.

• Although most research to date has focussed on the impact of children on women's retirement income, women's caregiving is not always related to marriage. First, not all women marry. Secondly, whether they marry or not, women may need to leave the labor force to care for a parent, sibling, or other relative who may require care. Finally, if women do marry, they may need to leave the labor force to care for a husband who is ill. A caregiving dropout year not tied to marriage more broadly recognizes the universality of women's caregiving.

• There is reason to be concerned about the adequacy of social security benefits for some women. In an analysis of the predictors of employment status, my colleague, Dr. June Gary Hopps, and I found that women receiving OASI benefits for the first time and still working at retirement age are long-term workers who have combined work/family demands and have raised more children than women who have retired. Concerns for these women who have worked the longest and at the lowest pay should be at the top of the public agenda.

Having summarized the conclusions of my research I'd like to explain why there is a need to examine the caregiving of women from a life course perspective, and discuss how the changing patterns of the balancing act of work/family demands in the lives of women today calls for a re-examination of social security policy.

Secondly, I'd like to report on some earlier research in which I compared the replacement rates of benefits calculated under the present law with benefits calculated under other policy alternatives, namely, earnings sharing, a modification of the special minimum benefit, and a childcare dropout year, and explain why I would recommend the implementation of a modified special minimum benefit.

Fifty Years Later

Our social security system reflects the principle of individual equity and the principle of social adequacy. The social security program is earnings-related, in part because of the principle of individual equity, which requires that the amount of an Old-Age and Survivors Insurance (OASI) benefit reflects lifetime earnings. The principle of social adequacy is the basis of society's interest in ensuring a minimum standard of living for workers, their spouses, and their dependents. Social security was signed into law in 1935, and before the first benefit was paid the law was amended through the provision of a spouse benefit for wives of retired workers and survivors benefits. The spouse benefit was based on certain assumptions about the labor force activity of men and their wives. One "problem" with social security's treatment of women is that the world of 1990 is unlike the world of 1939. In 1939 lawmakers assumed that men would work and women would stay at home.

One can argue as to whether the assumptions about men and women's working lives were, in fact, true in 1939. What is clear today is that those assumptions no longer hold true--and haven't for many years. But the basic structure of social security in determining benefits has not changed, nor have the expectations of society that caregiving is largely the

work of women.

Changing Work Patterns of Women

Unlike 1939 women today work outside the home. Today close to 60%--or three out of five women-- are working for pay, compared to 1940 when only 25%--or one out of four women worked. A life of marriage, children, and staying home is becoming a rarity. Women, including married women, are today expected to work. And, indeed they do work, although not always for pay.

When women aren't working at a paid job, they are working in the home--caring for children, a sick spouse or parent or other relative. Women leave the labor force primarily for family reasons, and subsequently are out of the labor force for close to one-third of their potential work lives while men are out of the labor force for only three percent of their working years (Salvo & McNeil, 1984). There are differences among women associated with race. Black women historically have had a stronger attachment to the labor force than white women (Smith & Tienda, 1988); nonetheless, they are out of the labor force for 18 percent of their work life because of family reasons (Salvo & McNeil, 1984). It is the years out of the labor force while women are working in the home that is, in my view, one of the most critical "women's issues" of social security.

Effect of Caregiving on Social Security Benefits

Since social security is earnings-related, a benefit is calculated based on a worker's lifetime earnings. However, it's not only the amount of lifetime earnings, but also the number of years over which those earnings are accrued that affects the amount of the OASI benefit. Simply put, every year without earnings reduces a person's social security benefit.[2] Since women's wages are lower than men's during their working lives, low

[2]In excess of the five lowest (or zero) years of earnings which are dropped automatically from the calculation of everyone's benefit.

wages in combination with more years out of the labor force results in an average benefit for retired women workers of $441 in 1987--76 percent of men's average benefit (U.S. Department of Health and Human Services, 1988).[3] These lower benefits for women reflect the years of no earnings accumulated during the time of working in the home.

In order to better understand the consequences of caregiving on women's retirement incomes, a sample of newly retired women workers was drawn from the Social Security Administration's 1982 New Beneficiary Survey (NBS). The purpose of this research was, generally, to estimate the lifelong effect of women's caregiving--for children, ill spouses, parents or other relatives--on their Primary Insurance Amounts (PIA) (O'Grady-LeShane, Kingson, & Hopps, 1988). We found that every child raised is associated with a reduction in a woman's OASI benefit of approximately $14 to $17 a month. We did not find a reduction in the PIA associated with the care of a parent (as measured by the presence of a parent living in the household) or with the care associated with a husband who was reported as ill.

Although no significant reduction in the PIA is associated with caregiving later in life, married women who left the labor force to care for others, nonetheless, are different from women who left voluntarily. Caregivers have worked fewer years in their lifetime, which is an indication that women who left the labor force early in their worklives may also leave the labor force again later in their careers once again for family reasons. There is evidence to suggest that the reason they left the labor force was to care for their husbands who were reported to be ill (see O'Grady-LeShane, Kingson, & Hopps, 1988).

Alternative Approaches to the Calculation Retired Worker's Benefit for Women

Since women who retire in the 1990s will have their OASI benefits based on the

[3]It would, of course, be an even smaller percentage were it not for the weighted benefit formula which is tilted toward low-income workers--many of whom are women.

highest thirty-five out of a possible forty years of earnings, in an earlier study I estimated amount of women's benefits in 1991. Benefit amounts were calculated under the present law and under variations of the law, namely, Earnings Sharing, Special Minimum Benefit, and Childcare Dropout Years.

These three alternative policies would represent a shift in the philosophy of social security since each policy, explicitly or implicitly, acknowledges the value of work in the home. The policies of Earnings Sharing, modified Special Minimum Benefit, and Childcare Dropout Years are mechanisms of filling in the gaps of women's labor force participation patterns that are the result of caregiving.

Earnings Sharing. Based on the definition of marriage as an economic partnership, a policy of earnings sharing redistributes the covered earnings of both spouses which results in an increase in a wife's PIA and a decrease in her husband's PIA. Each spouse's covered earnings (social security earnings up to the maximum taxable amount) are combined and half of the amount is credited to their separate earnings records.

Earnings sharing eliminates years of zero earnings from a woman's social security records under most earnings sharing plans. For every year of no earnings the wife's wage history would be assigned one-half of her husband's earnings up to the maximum taxable amount. Since women's earnings are less than men's and women have breaks in their employment because of caregiving, earnings sharing will raise the PIA of the working wife.[4]

Special Minimum Benefit. Current social security law provides for an alternate method of calculating the OASI benefit.[5] The Special Minimum Benefit (SMB) is designed for long-term, low-wage workers. In contrast to the PIA formula, which is based on earnings

[4]This discussion focuses on the effect of earnings sharing on a wife's wage history. A situation where the husband had a significant number of breaks in employment and the wife was a steady worker is, of course, possible. In that instance the husband would benefit most from earnings sharing.

[5]The 1972 Amendments incorporated the provision of a special minimum benefit, which includes an explicit test of length of service whereby it is designed specifically for long-term, low-wage workers.

divided by the number of months in the averaging period, the Special Minimum Benefit formula is years of service (in excess of ten years to a maximum of thirty years) times a flat dollar amount.

The 1981 National Commission on Social Security recommended two modifications in the Special Minimum Benefit formula: (1) an increase in the maximum years of service from thirty to thirty-five years; and (2) childcare credit years. A childcare credit year is any year in which a worker had a child under the age of six years and earned less than the amount needed for a year of coverage.

Under the present law any worker with long-term coverage and low wages may be eligible for the SMB. If a worker has more than ten years of coverage and earned at least 25 percent of the maximum taxable amount, both the SMB and the PIA are calculated and the person receives the greater amount.

The changes in the Special Minimum Benefit, as recommended by the National Commission on Social Security, would effectively increase the number of years of coverage. A person would still have to work more than ten years and earn at least 25 percent of the maximum taxable amount. If these conditions were satisfied, the years of no earnings when there was a child under six years in the home could be added to the total years of coverage. The maximum number of childcare credit years would be ten years. A further change would be to increase the total number of years of earnings from thirty to thirty-five.

Childcare Dropout Years. In contrast to the modified Special Minimum Benefit, the Childcare Dropout Years (CDY) policy decreases the years of coverage by allowing for the elimination of any year when there is a child under six and earnings are less than half of the national average wage. Since the Childcare Dropout Years policy eliminates the years of no earnings when these women had children under age six, the effect of this policy is an increase in their PIAs.

Competing Goals of Adequacy and Equity

The twofold objective of social security policy is the provision of OASI benefits that are both adequate and equitable. Adequacy is a relative concept that relates financial need to the amount of the benefit. Adequacy is often measured by a replacement rate, defined in this research as the OASI benefit divided by final year's earnings. This measure reflects the relationship of the benefit to a person's standard of living immediately preceding retirement.

Of the four policies Earnings Sharing had the highest replacement rates for retired workers' benefits. Both the Special Minimum Benefit and Childcare Dropout Years target only those years when there is a child under age six. Earnings Sharing has a broader effect by filling in any year of no earnings with a dollar amount. Moreover, Earnings Sharing increases a wife's average lifetime earnings (and subsequently her PIA), since she is credited with half the amount of the combined covered earnings of both spouses.

Equity necessitates the fair treatment of equals as well as fair treatment of persons in unequal positions. The equity issue has been articulated as the lower return for the second earner spouse (Koitz, 1979). If it is true that caregiving and its associated years of no earnings are the major causes of a wife's low PIA, then a policy which is targeted to compensate for caregiving would be considered to be an equitable policy.

The Special Minimum Benefit and Childcare Dropout Years both explicitly recognize caregiving and allow for childcare credit years. The Special Minimum Benefit accomplishes this objective by increasing the years of coverage by means of childcare credit years while Childcare Dropout Years allows for additional dropout years associated with childcare. Earnings sharing is neutral to the years of caregiving since it does not discriminate between a childcare year (as defined by the SMB and CDY policies) and any other year of no earnings.

The policy which both compensates for the gap in earnings and yields the highest replacement rate of all the policies would be the most equitable and adequate policy. Since

the Special Minimum Benefit, modified to include childcare credit years, is targeted at filling in the gaps due to caregiving, one can argue that it is fair, or equitable, in its treatment of women. The modified Special Minimum Benefit does not yield the highest replacement rates yet it satisfies the principle of social adequacy since it increases the OASI benefits of persons with the lowest lifetime average earnings. If the primary concern is the most vulnerable women, i.e., those most at risk of being poor, then the modified Special Minimum Benefit would be the best policy choice. A further reason to be concerned about poor women is the fact that some women continue working at retirement age while receiving OASI benefits.

Working at Retirement Age

Why women continue working at retirement age raises concerns about the adequacy of OASI benefits of some women. In a recent analysis of the predictors of employment status it was found that women receiving OASI benefits for the first time and still working at retirement age are long-term workers (O'Grady-LeShane & Hopps, 1988). White women who are widowed are more likely to be working at retirement age than either married or never married women. The reverse was found to be true among Black women, that is, Black women who are working are more likely to never have married. Both White and Black women working at retirement age also have raised more children, and are most likely to be service workers than women who are fully retired. These findings lead me to conclude that a Special Minimum Benefit modified to include caregiving dropout years would increase the adequacy of OASI benefits for low-wage, long-term workers. Finally, since gender may obscure some differences among women, as these findings suggest, it is important to include race as a variable to understand more clearly the relationship for all women between caregiving and employment.

Conclusion

The proportion of women receiving a benefit based solely on marital status, that is, a spouse benefit, has declined from 57 percent in 1960 to 40 percent in 1988. Yet, at the same time, the percentage of dually entitled women, i.e., retiring with a benefit based on their own earnings and supplemented by their husband's earnings, has risen (5% in 1960 to 22% in 1988). The decline in spouse benefits illustrates the anachronism of the notion of "homemaker" reflected in social security policy today. Even though their number of years in the labor force has increased, many women still retire based on their husband's earnings (Reno & Rader, 1982). It is likely that this trend will continue, partly because of the higher earnings of husbands and partly because of the interruptions in women's worklives because of caregiving.

There is a cost to women's caregiving. Every year out of the labor force associated with caregiving reduces a woman's OASI benefit. In an analysis of newly retired women workers it was found that every child raised is associated with a reduction in a woman's OASI benefit of approximately $14 to $17 a month.

Previous studies of women's labor force participation patterns point to considerable variation in women's work lives and to that I would add that there is no "typical" pattern of caregiving. Moreover, women's caregiving is not always related to marriage. First, not all women marry. Secondly, whether they marry or not, women may need to leave the labor force to care for a parent, sibling, or other relative who may require care. Finally, if women do marry, they may need to leave the labor force to care for a husband who is ill. A caregiving dropout year not tied to marriage more broadly recognizes the universality of women's caregiving.

If only one action can be taken, then I would urge serious consideration of a modified Special Minimum Benefit. Concerns for those women who have worked the longest and at the lowest pay should be at the top of the agenda.

No action will be taken to improve the economic status of older women--which benefits us all--unless concern about the adequacy of retirement income of women remains at the forefront of the public agenda. Keeping it at the forefront of the public agenda is a task in which we can all participate as we are doing today, and I urge you to continue in this effort.

That concludes my prepared testimony. I will be pleased to answer any questions you may have.

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Mr. HUGHES. Thank you, Dr. LeShane. Ms. Culbreth, Welcome.

STATEMENT OF JUDSEN CULBRETH

Ms. CULBRETH. Thank you. Mr. Chairperson, I am Judsen Culbreth, editor-in-chief of "Working Mother Magazine," a publication with over 2 million working mother readers. For the past 10 years our magazine has been an advocate on key issues that affect working mothers. And I thank you and members of your subcommittee for having me here today.

It's no news to parents that kids are expensive. To be exact, it costs $113,000 to raise the typical American child to age 18. However, the hidden costs to working mothers are astonishingly higher. Let's tally them up.

One, women who raise children experience accumulative earnings loss of $31 billion in the year of pregnancy and 2 years after. This breaks down to an average loss per woman of $14,000 over 3 years, according to the Institute on Women's Policy Research. This loss is due to several factors, including women being terminated while pregnant or when they take time off without pay to give birth. Sixty percent of women have no job-protected maternity rights, as you have heard during the debates on family medical leave.

Two, because quality child care is difficult, if not downright impossible, to find, women are five times more likely than men to work part-time to fill in the child care gap. According to one survey, 38 percent of part-time female workers would work more hours if better daycare were available. But better daycare is not yet available in the United States, so a woman makes sacrifices and tries to carry out both roles as worker and mother, but she pays a price.

One out of four working women work part-time and the part-time worker is less likely to have any job benefits, let alone be included in a pension plan. Part-time work also means that earnings are substantially lower. It doesn't seem right that a woman should sacrifice employment benefits and earning power because she also takes care of family needs.

Three, salary discrimination is also a special problem for working mothers who are the victims of mommy tracking. But all working women, mothers or not, still make 70 percent of what men make. Indeed, 60 percent of minimum wage workers are women. Lower salaries translate into less generous benefits as women grow older.

These statistics add up to one point. Not only are women the sex that bears children, they are the sex that is bearing the cost of having children. That cost is felt in their child-bearing years in loss of income and opportunities for advancement and it is felt in their retirement years in terms of skimpier benefits than they deserve.

Mr. Chairperson, lest you be left with the mistaken impression that working mothers want only to take and not to give, let me remind you of precisely what it is that working mothers contribute to the economy. There are 53 million working women today, making up 45 percent of the labor force. That is a 200 percent increase since Social Security was enacted. Twenty-one million of

these are mothers with children under 18. In 1987 working women earned over $716 billion. Obviously, American business could not survive without women willing to work; nor could the American family.

The Ozzie and Harriet household of breadwinner husband, homemaker wife, and two children exists only on television reruns, to quote the chairman of AT&T. Only 7 percent of American homes today fit that image. The true picture is that 75 percent of children are growing up in two-paycheck families. The modern family finds it essential for both parents to work because of a decline in real family income. That second salary is not "pin money," as women use to call it—it's the mortgage payment and grocery money. It's a necessity that supports the family at a level that use to be achieved by just dad's paycheck. In fact, the median income of the two-salary American family is $39,000. Reduce that by 40 percent, mom's share, and you see a family that is not just struggling, but is losing the economic war. In many families, that second paycheck is the difference between working class and welfare.

My point, Mr. Chairperson, is that women are breadwinners as much as men. Their contribution to the American economy and to the economy of each of their families cannot be ignored. It must be counted and counted fairly. Social Security is taken out of every working woman's paycheck. She gets no break for dual entitlement. She pays into Social Security; yet, the woman who never works and never contributes may end up with a higher benefit. The system is still supporting Harriet, but not the real families of today.

As we face a new decade, a new century, indeed, a new millennium, even more women—13.2 million more, according to the Department of Labor—will enter the workforce and 70 percent of all mothers will have paying jobs. These working women deserve a new deal, a fair deal, when it comes to sharing the benefits of work. Our children are our greatest natural resource. The women who nurture them with their love and support them with their earnings should not be punished for bearing the next generation of American citizens.

Mr. HUGHES. Ms. Goodman and Ms. Rensberger, what advice would you give younger women in order to avoid what has happened to you?

Ms. RENSBERGER. Well, they should learn a lot more at a much younger age about financial management and just what the costs are of dropping out of the workforce to raise children. I would never urge a young woman to give up that option, of course. I think that many of the ideas mentioned here today are excellent, and I guess my advice to young women would be to become active andwork to make these changes happen.

Mr. HUGHES. I mean, you obviously would never want to give up what you had because your son is with you today and that is a very important part of your life.

Ms. RENSBERGER. Absolutely.

Mr. HUGHES. But there is some basic fairness in equity and in the manner in which we count zero years. What suggestion would you have to deal with that particular problem?

Ms. RENSBERGER. Pardon me, I didn't hear the last part.

Mr. HUGHES. How would you deal with the averaging in of the zeros each and every year, which ends up being a penalty basically?

Ms. RENSBERGER. Right, right.

Mr. HUGHES. That you're out of the workforce to raise children or to care for an elderly parent perhaps.

Ms. RENSBERGER. Well, the suggestion sharing Social Security credits, or dropping the zero years are both good solutions. I think if I were doing it over again, I would want the children's father to share the years out of the workforce, so that the burden of raising children, and the joy, could be shared, and the costs could be shared as well.

Mr. HUGHES. I also found very interesting your observation about property settlement and the desire to save the family home and, by the same token, giving up perhaps certain pension rights. That's something that perhaps we need to take another look at.

Ms. Goodman, what suggestion do you have?

Ms. GOODMAN. Well, my daughter is now out of the workforce, the one who was an assistant U.S. attorney, who loved being here because her husband is in Europe with his job and she is not working. I think she is not really aware—not that I don't believe she should do that—I do believe that and I believe it would be wonderful if she stayed home when she has a family, but I think young people should be aware that they are not infallible; that this system is going to impact on them. I don't believe that the young women of today know that, and I think they should be told that so that they, too, can join—it shouldn't be only an Older Women's League issue; it should be a NOW issue, it should be everybody's issue because society depends upon the welfare of its women and all its citizens.

I believe that we should drop out the zeros. I can see where single women might say, "Well, why should people get credit just because they went out to have a family. I would have liked a family. I didn't get married." Therefore, if we only get credit for what we work for, we are not asking to get extra credit; just don't penalize us for being out of the workforce and taking care of children, family, and parents.

Mr. HUGHES. Well that makes sense to me. Ms. Reses, you see the problems of the elderly all of the time, as the executive director of the Jewish Older Adult Services in Atlantic County. What do you see as the major problem facing elderly widows today?

Ms. RESES. The problem facing elderly widows is the fact they exist only on the subsidies of Government, and only if the system is to change will we not have older women 50 years from now existing only on the subsidies from Government. It is my belief that it will be more expensive for the Government to allow the Social Security system to remain as is and to not credit women for the lives that they do lead that are productive to society in so many ways. It will be more expensive to subsidize them in later years in housing, nutrition, and increased medical care, especially with the increased numbers of older women.

Mr. HUGHES. Ms. Glasse, the number of duly-entitled women is expected to continue increasing well into the next century. Do you see a potential problem for women losing confidence in the system?

Ms. GLASSE. I see a grave problem, Chairman Hughes. As the baby boom population reaches its retirement and they discover that their retirement is indeed not secure, and that all of those years that they have been paying into the system have not benefited them to any great extent. The system, is undermined when they learn that they are no better off than their mothers were who did not contribute to this system. It undermines their confidence in the Government, and that is not good for either Social Security or for our society.

Mr. HUGHES. Would you agree with that, Dr. LeShane—that presents a real problem in the years ahead?

Ms. LESHANE. I do agree that women's caregiving is perhaps becoming one of the most important issues related to women's retirement income.

I have been amazed at the number of women whom I have spoken to about testifying before you today who had read about the OWL report in the newspapers. Women who have absolutely no knowledge of Social Security income have said to me, "this is unfair."

I think that women would never turn away from the caregiving that they provide, but as eloquently as it has been spoken about here this morning, women do not also want to be penalized for that caregiving. I think that they are surprised at the implications of that caregiving on their future retirement income. I doubt very much that they would change their behavior with regard to their future retirement income.

Mr. HUGHES. I think Ms. Rensberger made the point that most women really do not understand or know the impact. I suspect that is true. Let me ask you, Ms. Culbreth, as our population becomes older, with more people living longer and there being a larger elderly female population, will there be an increasing problem of women leaving the workforce to care for the elderly?

Ms. CULBRETH. That's becoming much more of a problem. They call it the sandwich generation. Now we see women who are hit on both sides of the caregiving picture—caring for children, and then taking 5 minutes, and then starting to care for elderly parents. It affects women. I think the point of Social Security is, Do we want women to continue being caregivers in our society?

I think there is no incentive for them to do that. They get very little help with child care or elder care. I saw this with my mother-in-law who had to care for my father-in-law for 3 years. There is little support and it is sort of like "don't shoot the piano player." Women are doing the best they can juggling, trying to contribute to the economy of their families and trying to bring up children. So, they should not be penalized; they should be rewarded, if anything, for the job they do.

Mr. HUGHES. Thank you. The gentlemen from Iowa—I realize that we have a vote underway, but the gentleman is recognized.

Mr. TAUKE. Mr. Chairman, just very briefly, first, I have sat through a lot of hearings during my 12 years in Congress and I have to say that I have never sat through one that has been more compelling than this one. One of the things that strikes me is that, although I have been here 12 years and was basically aware of the problem, I certainly was not aware of the depth of the problem.

I think back to—when you talk about women not being aware, I think back to my own family when my wife quit work in order to take care of our children, our child—we hope children—but child 3 years ago. We didn't have any discussion of pensions or Social Security, and we are educated, sophisticated, if you will, people in the workforce. I suspect that, although my wife worked on Capitol Hill for a long time and was heavily involved in public policy issues, she really has not focused on the implications in the long-term of what she did from a financial perspective. So, how would we ever expect others in society who don't have that kind of exposure to public policy to make those kinds of assessments?

I really am amazed, as the gentlelady from Ohio and I were discussing just briefly, that this has not been a big focus among the women's groups in society and an issue where education has been much better.

One brief question and we have got to run: Ms. Glasse, you offered several suggestions relating to Social Security. What kind of cost are we looking at, let's say with provisions like those that were recommended by the Senate in the 1983 Social Security Act, or what would happen if we dropped 10 of the zero years? What kind of cost is associated with that? Do we have any feel?

Ms. GLASSE. Yes, we do, and I would like to turn to my staff at this time, Laura Loeb, our policy director.

Ms. LOEB. The Social Security Administration in 1985 issued a report looking at earning sharing and also looked at other incremental approaches. In looking at the idea of adding drop-out years—up to 10—if you are taking care of a child under seven, assuming that the women had no income, which I think is a little problematic. Instead, you'd probably want to say no or minimal income. The Social Security Administration did a cost estimate. They were starting, though, from 1986 and then costing up to 1990. So, realizing that, they had a cost estimate in 1990 of $2 billion new dollars a year.

Mr. TAUKE. That gives us kind of a ballpark figure. I mean we aren't talking about staggering the system as a result of that kind of change. I guess I also think that it is pretty important it not be just for a child, but also for parents and spouse.

Ms. LOEB. We agree. Thank you.

Mr. TAUKE. We've got to run. Thank you so much, this was really tremendous testimony.

Ms. OAKAR. I am just going to close it. We have a vote in about 6 minutes. But, let me just say this: I think what we are seeing here are three very affluent, intelligent women talking about their own situations. Lots of people who are perceived to be middle class do not realize that when they become older they become poor. That is really important and you are also so intelligent. It is not enough to just talk about education. To be honest with you, I think that is important, but you have got to force Congress to do something about this. It is absolutely outrageous that we have not. I guess my only question to all of you, because I know we have people who promote these in the various parts of the media and professors, and so on: what should we do?

I was struck yesterday by seeing AIDS victims come and stomp upon the NIH, and so on, and that always amazes me and I support

AIDS research. While AIDS research has $1.6 billion dollars, there is $19 million for basic breast cancer research, which affects one out of nine women. If you really want to get into discrimination, you really get into health issues and you just absolutely lose it.

What should we and our families do to make Congress—why isn't there a political outreach on the part of women and their families. I mean, I have sat here for 14 years, introduced a lot of legislation trying to get comprehensive health insurance passed, et cetera. Why aren't we more outraged? Why aren't we putting more political pressure on Members of Congress and the administration? Anybody have a quick answer as to what we should be doing?

Ms. GOODMAN. Women don't know what's happening. I discovered this because being in discrimination, I realized this was an adverse impact issue the minute I saw it. By trying to find out what was happening to my retirement—I told my friends and nobody knew about this. Lawyers in the field don't know about this. My boss didn't know about it. We are all working in discrimination. Nobody knows. This is a hidden issue.

Ms. OAKAR. You don't know until it hits you when you get older, right?

Ms. GOODMAN. That's right.

Ms. GLASSE. A women thinks it's an issue for her alone and not a problem that is systemic, not a problem that is a problem for most all women. It is important that women begin to understand and mentoo, because men are concerned about this also.

Ms. OAKAR. Sure they are. Men worry about their wives and their children and their sisters, et cetera. But, it is amazing to me, and I do say this publicly—I think that all the women's organizations ought to view economic security to the same dimension that they view all the other issues. That networking would be very, very helpful.

But, Ms. Reses, you were talking about your own upbringing. If it weren't for Social Security, your mother, who became head of the household when you were a child, would have really not had anything perhaps. But the problem is we have even repealed some of the things. In 1981, during the Reagan budget years, we cut off the minimum benefit and no longer give the benefit for people who are head of the household for their college-aged children to have a little break. It is unbelievable to me that there isn't public outrage on this. We're working on it, but it is really a difficult one. That's why I am glad you are all here.

Ms. RESES Thank you, and I must say I think one of the reasons it is very difficult to have young women look at Social Security and look at the years ahead, they are not accustomed to doing that because they don't realize that what they are doing today at the age of 30 will affect them when they are 65.

Ms. OAKAR. I think that what—I think it was Dr. LeShane who said that Social Security has been an excellent program; one of you said this. It has been. We don't want anyone to lose confidence in the system, but Roosevelt never intended that it would remain dormant, you know; otherwise, we wouldn't have had disability coverage or Medicare folding in 1965. We have not adapted to the times nor the needs of our people, especially when everybody is talking about this huge surplus. The Washington Post editorial today: why

not take Social Security and put it on the table? Well, I don't know about anybody else, but it will be over my dead body, as much as I respect The Post.

Let me tell you something, you take the cost-of-living adjustment away from Social Security recipients and, by and large, take it away from moderate to very, very low income people and that would be even more devastating.

But, anyway, thank you all very much for coming and I am sorry I got the last word here before my chairman comes back, but thanks a million.

[A short recess was taken.]

Mr. HUGHES. The subcommittee will come to order. First, let me apologize for the interruption but, as you may know, we have had some votes this morning and I have had another committee meeting and markup of legislation. So, I have had to leave to vote in one of my other committees and hope you'll bear with us. We hope that we can keep the votes on the floor down so we can complete this panel in short order.

Our first panelist on panel two is Ms. Louise Crooks. She is president of the American Association of Retired Persons, AARP. The AARP is the Nation's largest organization of Americans age 50 and older. Prior to Mrs. Crooks' active role in AARP, she was employed in the Indiana public school system for some 31 years. Mrs. Crooks will address AARP's position on Social Security, women, and caregiving.

Mr. William Bechill, our second panelist, is the executive vice chair of Save our Security. Save our Security is a nationwide coalition of aging and disabled groups supporting a strong Social Security system. Mr. Bechill is a former commissioner on aging and is currently a professor at the University of Maryland. He will discuss with us today the feasibility of changing the Social Security program to compensate for caregiving.

Our third panelist is Ms. Mary Jane Yarrington, who is a senior policy analyst for the National Committee to Preserve Social Security and Medicare. Ms. Yarrington retired in 1986 from a 31-year career as a staff assistant to Members of Congress. Through her work on Capitol Hill, Ms. Yarrington has gained in-depth knowledge of Social Security and retirement income issues. Ms. Yarrington will explain to the subcommittee current Social Security benefit computations and outline some of the proposals which would increase women's retirement income.

Ms. Vicki Gottlich is our fourth panelist, she is a staff attorney at the National Senior Citizens' Law Center. Ms. Gottlich has been with the law center for some 3 years and, before that, she was part of an elderly law program in Maryland. Ms. Gottlich will discuss the features in the private pension system which cause fewer women to receive private pensions than men and also to receive lower benefits than men.

Our final panelist on panel two here this morning is Ms. Ann Moss. Ms. Moss is director of a Women's Pension Project at the Pension Rights Center. She is a lawyer and has been at the Pension Rights Center working on women's pension issues for the past 10 years. Ms. Moss will also break down the private pension system as it relates to women.

Again, let me just remind you that the subcommittee has your written testimony which will be included in the record, without objection, and we would appreciate your summarizing so that we can get right to questions and hopefully get you out of here at an early hour. Thank you.

Ms. Crooks, why don't we begin with you. Welcome.

PANEL TWO: CONSISTING OF LOUISE D. CROOKS, PRESIDENT, AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, DC; WILLIAM D. BECHILL, VICE-CHAIR, SAVE OUR SECURITY COALITION (SOS); MARY JANE YARRINGTON, SENIOR POLICY ANALYST, NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE, WASHINGTON, DC; VICKI GOTTLICH, STAFF ATTORNEY, THE NATIONAL SENIOR CITIZENS LAW CENTER; WASHINGTON, DC; AND ANNE MOSS, DIRECTOR, WOMEN'S PENSION PROJECT, PENSION RIGHTS CENTER, WASHINGTON, DC

STATEMENT OF LOUISE D. CROOKS

Ms. Crooks. Thank you, Mr. Chairman. I am Louise Crooks, president of the American Association of Retired Persons. I am very pleased to have this opportunity to present our views on the retirement income security of women.

Older women often lack adequate retirement income because they outlive their spouses, they live alone, and often they have little or no pension income. Social Security is the base of most retirement income. It is a gender-neutral system, but demographics and employment patterns affect the amount and the importance of Social Security benefits for women.

In our written statement we mention specific Social Security changes to improve the economic situation of today's older women, such as liberalizing the earnings limit and extending benefits to certain widows and spouses. We urge Congress to adopt proposals to these areas that have been approved by the House Subcommittee on Social Security.

Future generations of older women will have worked in the paid labor force for longer periods than those who receive benefits today. Despite this greater participation, older women's reliance on Social Security will not change markedly in the future because pension coverage is not expanding. In many cases, however, their Social Security benefits will be lower than for men because women enter and leave the work force more often. This pattern is due to family care giving responsibilities which fall largely on women's shoulders, and we have heard a great deal about this by the previous panel.

Various solutions have been proposed to protect caregivers through the Social Security system. These include expanding the drop-out years, allowing additional quarters of coverage, and creating a new minimum benefit. These suggestions need thorough evaluation as to whom it is going to help, who might be hurt, and the overall impact on the cost and underlying philosophy of the program. As important as Social Security is, there are other facets of income security that also demand attention and evaluation.

The first area is pensions. Proportionately, fewer women than men are covered by a pension plan and fewer women ever receive pension income. When they do receive pensions, they typically receive less than men. Our written testimony describes in detail the factors leading to these differences and also recommends corrective action. AARP believes that pension laws should be improved to expand coverage, including part-time workers, to further limit integration, to permit portability, to provide greater protection against inflation, and to limit the so-called pension reversions.

These changes would affect all workers. In addition, we believe the IRS should require employers to provide understandable spousal consent forms so that spouses can understand the implications of waiving a survivor benefit.

Another possible source of retirement income available to the very poorest older American is supplemental security income. Nearly two-thirds of all SSI recipients are women and three-fourths of the aged receiving SSI are women. AARP believes that much more must be done to improve SSI. The major changes needed are: one, an increase in the maximum Federal benefit; two, an increase in the asset level and, three, an expanded federally-supported outreach program.

In order for future generations of older women to have greater retirement income, changes must be made in the work place. Inequities in hiring and promotions, occupational segregation in low paying jobs, and absence of career ladders and inequitable wage-setting practices—those all prevent women from earning the wages that could not only improve their current economic status, but also contribute to their economic well-being and peace of mind upon retirement.

Also, the association urges prompt congressional approval of the Family and Medical Leave Act and the Older Workers Benefit Protection Act.

In conclusion, we believe that Congress should consider making reasonable changes in many areas that will enhance the income security of all generations of older Americans, especially women. Thank you.

[The prepared statement of Ms. Crooks follows:]

STATEMENT

OF THE

BEFORE THE

SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

OF THE

SELECT COMMITTEE ON AGING

OF THE

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE INCOME SECURITY OF OLDER WOMEN

MAY 22, 1990

The American Association of Retired Persons, representing the interest of Americans 50 and over, appreciates the opportunity to present its view regarding the retirement income security of women. The Association, fifty five percent of whose members are women, commends the chairman for holding this hearing.

Too many older women find their later years are marked by economic insecurity. The factors leading to a lack of adequate financial resources must be understood so improvements can be made to help both today's and tomorrow's older women.

I Economic Status of Older Women

The statistics on older women reveal that many are in economic straits because of inadequate retirement income. Women are at particular risk because they outlive their spouses, are more likely to live alone, and more likely to have little or no private pension income and a low wage history. Around eighty percent of the nearly nine million Americans aged 65 and older living alone are women, and nearly fifty percent of women aged 65 and over are widows. In addition,

- Women are nearly sixty percent of the aged 65 and older population but make up seventy-two percent of the 3.5 million elderly poor.
- In general, households headed by women aged 65 and over have incomes that average only fifty to sixty percent of that of incomes of households headed by men aged 65 and older.

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- The median income for men aged 65 and older is $11,854. For women aged 65 and older, it is $6,734 or fifty-seven percent of men's median income. This income includes earnings, Social Security, pensions, and assets.
- The median income for white widows aged 65 and older is only $7,920 and for black widows the median is even lower: $4,961. About forty-five percent of all widowed and divorced women 65 and older have incomes below $7,000.

Retirement income for most Americans comprises several layers. The Social Security system (Old Age, Survivors and Disability Insurance, or OASDI) is the foundation. Atop this base are private and/or public pensions, and personal savings and assets. These three sources of retirement income security are often complemented by earnings from employment. For older Americans with incomes below the poverty threshold, public assistance programs may be available to provide a minimum level of income. The characteristics of one's employment throughout life, such as length of employment, type of jobs, and wages, determine the amount of work-related retirement income one will subsequently receive.

II Social Security

Social Security provides a stable base of income for most workers and their families. Social Security, which is a uniquely American approach to the social insurance concept, combines

individual equity (benefits related to contributions) with social adequacy (a benefit tilt that provides lower paid workers with a higher percentage of their preretirement earnings). The overwhelming public support the program enjoys among Americans of all ages results, to a considerable measure, because Social Security is an earned right directly based on their level of paid employment.

Social Security is gender neutral. However, demographics and employment patterns affect the amount and importance of Social Security benefits for women.

- In December, 1988, the average monthly Social Security benefit for retired female workers was only seventy-six percent of that for retired male workers--$462 compared to $640.
- More than one in three (thirty-five percent) depend on Social Security for at least ninety percent of their income, and twenty-one percent of elderly unmarried women rely on Social Security for all of their income.

It is these women--those currently in need-- that the Association is particularly concerned about. However, AARP believes that any examination of the importance of Social Security to the retirement income of older women should encompass both current and future generations. Those who are currently eligible for benefits based on their own or a spouse's earnings record should

receive them. Also, we should liberalize the earnings limit so that moderate income older women can improve their economic situation through work.

The House Subcommittee on Social Security recently approved a small change in the Social Security earnings limit, but more is needed. This modest improvement is especially important for moderate income older women who do not have other sources of retirement income. We urge Congress to raise the earnings limit to a more reasonable level such as the average wage.

The Subcommittee also approved changes in Social Security benefits for some of the most vulnerable older women who may not be receiving benefits. Those include disabled widows, "deemed" spouses, and certain newly divorced spouses 62 and over. These are sorely needed modifications that could make a substantial difference in the lives of those who currently do not get Social Security benefits in their own right. The Association is committed to securing the adoption of these provisions by the full House and the Senate.

Older women who currently receive Social Security benefits are likely to have worked in the paid labor force for a shorter time than those who will receive them in the next century. Despite greater participation by women in the paid labor force today, Social Security will continue as an important source of

retirement income for future female retirees. Older women's reliance on Social Security will not change markedly in the future because private pension coverage is not expanding.

Some women have and will continue to have lower Social Security benefits than men because they enter and leave the workforce more often. In most cases this is due to family caregiving responsibilities. While such gaps are likely to be less common when today's women workers retire, nonetheless women are much more likely to incur these gaps than men.

Various solutions have been proposed to protect caregivers through the Social Security system. A widely discussed option would be to increase the number of dropout years above the current level of five. An alternative to raising the number of dropout years would be to allow additional Social Security quarters of coverage. Both proposals could increase the benefit amount for all caregivers. An option that would focus on low income caregivers would be to create a new minimum benefit. This would enable all low-income workers, including ones who are caregivers, to receive a modest benefit.

These proposals need thorough evaluation as to the effects on types of caregivers, the level and type of care provided, and the potential effect on the labor force participation of the caregiver. These are important factors which must be understood

so that any "caregiver" proposal would not result in unintended negative consequences. They also must be examined in light of their impact on the long-term actuarial balance of the trust funds.

Social Security, like other income protection programs, is not perfect, and it cannot be expected to solve problems whose origins lie elsewhere. While Social Security may have some "inequities" that adversely affect older women because of their employment patterns, it is important to remember that Social Security has been a lifeline for many older women. Thus, while we can look to improvements in Social Security, any change must be evaluated in terms of 1) whom it might help, 2) who might be hurt, and 3) what the overall impact will be on the costs and the underlying philosophy of the program. These are important considerations that cannot be overlooked even for worthy purposes.

III Pensions

However, as important as Social Security is, there are other areas related to retirement income security which demand our attention. The federal statute governing private pension plans, the Employee Retirement Income Security Act (ERISA), applies equally to both men and women. However, proportionately fewer women than men are covered by a pension plan, fewer women receive

income from a private pension, and when women do receive pensions, they typically receive less than men.

According to recent Department of Labor statistics (Trends in Pensions, U.S. Dept of Labor, Pension and Welfare Benefits Administration, 1989), only sixteen percent of unmarried women over age 65 today have private pension income, as compared to twenty-eight percent of unmarried men over age 65, and thirty-eight percent of married couples over age 65. In addition, median dollar incomes from private pensions for individuals over age 65 today are $3,800 for men, and only about half that-- $1,940-- for women.

These numbers are expected to improve in the coming years, given the increase in the number of women in the work force, and a number of pension equity changes made in the last decade. However, women still lag behind men in the pension arena. Specifically, among full-time workers, fifty-one percent of men are currently covered under an employer-sponsored pension plan, while only forty-four percent of women report coverage (Social Security Bulletin, October 1989/Vol. 52, No. 10).

The pension system is designed to primarily benefit full-time, long-term workers, particularly those who remain with the same employer. This work pattern is not typical for many women (or men) in the work force.

Women face other obstacles when it comes to private pension protection. Women are more likely to be employed in industries or with employers that traditionally have low pension coverage. For example, the heavy concentration of women in the service and retail industries-- areas of low pension coverage-- reduces the possibility for pension receipt. Along similar lines, pension coverage among small businesses, again with a heavy concentration of women, remains very low (about twenty percent coverage) as compared to large employers (about ninety percent coverage).

The Association believes that pension coverage should reach a larger percentage of the work force if pension plans are to be relied upon as a significant source of retirement income. Both employers and employees must be educated as to the value of and need for a pension plan. Enhanced education efforts are particularly important for small businesses, where a lack of information about plans that might be especially suitable for them-- e. g. Simplified Employee Pensions (SEPs)-- has slowed the growth of pension availability.

In addition, the pension coverage rules, while improved in the last few years, still allow the exclusion of certain workers from pension coverage even where a plan is offered. Excluded workers are often lower income workers. Coverage differences can also be attributed to the different rates of full-time and part-time employment. Coverage of part-time workers is very low, and

twenty-six percent of women were employed in part-time work, as compared to only ten percent of men. (Social Security Bulletin)

The pension laws should be amended to promote increased coverage of part-time workers. Pension benefits are a significant part of the total compensation package, and, at the very least, part-time workers should receive at least partial pension credits.

Even if covered by a pension plan, a worker has no guarantee of receiving a pension until he or she "vests" in the plan. Vesting, or the nonforfeitable right to a benefit, generally occurs now after five years on the job. However, many women do not work long enough to meet the vesting standard. While men average just over five years in a job, the average for women is less than four years.

Should the individual meet the minimum coverage and vesting standards for pension receipt, the eventual pension amount may still be quite low. Most plans are based on salary, and because women tend to earn less over their working lives, their ultimate pension benefit is smaller.

In addition, the pension rules currently permit an employer to "integrate" pension benefits with Social Security benefits. (Integration allows employers to calculate pensions taking into account the worker's expected Social Security benefit. The

effect of this practice is to substantially reduce the pension benefits of lower income workers.) Since women tend to be among the lower income workers, integration has worked to significantly reduce their expected pension benefits.

The law has been changed to limit integration. However, the change is prospective only, and it will take years for the new rules to have any real impact. In addition, the new rules still permit a substantial reduction in the benefits of low-income workers.

The Association believes that the integration rules remain overly complex-- confusing to both employers and to employees-- and have outlived any equitable rationale. This policy is inconsistent with the thrust of pension law over the past two decades. At the very least, the recent limitations on pension integration should be effective immediately for all years for all current employees as proposed in H. R. 3306. The fact that many plans have integrated pension benefits should not prevent further change.

Another failure in the pension system for shorter-term employees is the lack of pension portability-- the ability to transfer pension credits from one plan to another. A single pension based on long job tenure is substantially greater than several smaller ones earned over the course of a number of jobs. For women, who tend to have shorter job tenures, and who tend to have greater

and more frequent absences from the work force than men, the lack of portability results in substantially reduced pension amounts. This may be especially aggravated by the fact that short-term pension earnings, if any, tend to be cashed-out and consumed by the job changer or job leaver, not saved for retirement. Even if these amounts are maintained in the plan for retirement, the lack of any inflation protection in most plans will substantially diminish the eventual pension benefit.

A number of bills have been introduced in the last few years dealing with various aspects of the portability problem. However, no comprehensive solution to the portability problem has been proposed. The Association believes additional work is needed to more fully develop and implement a pension portability system.

The fact that pension plans generally do not index pension benefits in retirement for inflation also causes substantial erosion of the value of the pension benefit. Since women tend to live longer, the effects of inflation on any earned benefit will substantially erode the purchasing power of the pension over a lifetime. Even ad hoc benefit adjustments-- which have historically been granted by many plans to combat the effects of inflation-- have been on the decline in recent years, particularly as the number of plan terminations (often merely to "recapture" plan assets) has increased.

Greater thought must be given to protecting pension benefits against the inevitable erosion over time. Most employers believe that permanently indexed pension benefits are too costly. However, many employers do give benefit adjustments to retirees, and this should be encouraged. Further, limiting the amount of money an employer may strip from a pension plan in a termination (with a plan "reversion") will ensure a greater availability of pension funds for possible benefit increases.

Another issue recently raised is the effectiveness of changes made by the Retirement Equity Act (REA), particularly as it affects the rights of a surviving spouse. REA required employers to obtain written consent from the spouse of a retiring worker if a joint and survivor option is not chosen. The joint and survivor annuity, which lowers the monthly pension benefit, guarantees a continuing pension benefit to the surviving spouse upon death of the employee. A recent General Accounting Office (GAO) report (December 1989) stated that while consent forms are an important source of information about survivor's benefits, many of the forms did not present all the information needed to make an informed decision. In addition, the report concluded that the consent forms appeared to be too difficult for many spouses of retiring workers to understand. The lack of "plain English" may result in poor choices.

The Association supports the GAO's recommendation that the Internal Revenue Service issue guidance on the content of spousal consent forms. IRS should require employers to provide consent forms in non-technical, understandable language. The IRS could also develop model language for plans to use. (Indeed, these suggestions are appropriate for all forms of required pension information, which tend to be overly confusing, and thus neither helpful nor informative.)

IV Supplemental Security Income

Implemented in 1974 to reduce poverty among the poor aged, blind, and disabled, the Supplemental Security Income (SSI) program provides a modest monthly cash benefit to eligible low-income persons. Nearly two-thirds of all SSI recipients are women. Of those who receive benefits on the basis of age, three-fourths are women, and the vast majority of these women live alone.

Since the federal cash assistance provided is <u>less</u> than the federal poverty level, SSI recipients-- especially those in states that do not adequately supplement or do not at all supplement the federal benefit level-- live on less than a subsistence level of income.

Moreover, not all aged poor persons receive SSI benefits. Those who are below the poverty line but whose income is above the federal SSI benefit level are not eligible. Many are excluded

from the program because their "countable" assets exceed the allowable limit of $2,000 for an individual or $3,000 for married couples. Although Congress adopted a one-time, phased-in increase of asset levels beginning in 1985, the asset limit remains below what it would have been if indexed for inflation since the program's inception in 1974.

Another major reason SSI fails to fulfill the goal of eliminating poverty among the aged, blind, and disabled is that many who are eligible never apply. Some may not know about the program and others may have misinformation.

AARP believes that continued improvement and expansion of SSI is vital to reducing poverty among all low-income older persons 65 and over. Improving SSI is high on our legislative priority list. Among the major changes needed are:

- raising the maximum federal benefit level;
- increasing the asset level; and
- expanding federally supported SSI outreach.

V Employment

Female workers of all ages encounter social attitudes and business practices that arbitrarily limit their employment opportunities and earning power, and thus their ability to provide for their own financial security. Mid-life and older women particularly face barriers that inhibit their equitable

participation in the labor force. Nonetheless, nearly two-thirds of all women aged 45 through 59 are in the labor force. Working women aged 45 and over number over 14 million and are more than one-fourth of all female labor force participants. Many of these mid-life and older women are the sole or primary economic support for their families. In addition, women constitute two-thirds of the part-time labor force.

Discrimination in the job market is one of the most serious problems faced by mid-life and older women today. Inequities in hiring and promotions, occupational segregation in low-paying jobs, an absence of career ladders, and inequitable wage-setting practices prevent women from earning wages that could not only improve their current economic status but also contribute to their economic well being upon retirement. Equal employment opportunities for all Americans are in the best interests of business and the nation, and the Association supports efforts to end discrimination in the work place.

In addition to modifying employment practices, there are a number of bills currently pending that would have a direct and beneficial effect on the retirement income of older women. The first of these is the Older Workers' Benefit Protection Act (H. R. 3200), which would reverse the Supreme Court's decision in Ohio v. Betts and restore the Age Discrimination in Employment Act's prohibitions against discrimination in employee benefits.

June Betts was a displaced homemaker who, in her early 50's, went back to school and to work when her marriage of 30 years ended. At age 61, she became disabled due to Alzheimer's Disease and was forced to leave work. However, solely because she was above age 60, the state of Ohio, refused to provide her with any disability retirement benefits. As a result, Ms. Betts, who had been working for only seven years, receives only $158/month in pension benefits, instead of $350/month in disability retirement benefits.

The Supreme Court held that, contrary to prior law and regulations, this was <u>permissible</u> age discrimination. As a result, older workers-- especially women like Ms. Betts, who enter or re-enter the labor force later in life-- can be penalized by losing their benefits.

Another bill with a direct effect on women's retirement income is the Family and Medical Leave Act. At first blush, this may look like a bill that benefits only younger women. But, job loss due to family caregiving responsibilities-- whether for a newborn or ill child, an ill parent, or an ill spouse-- makes it more difficult for women to earn an adequate pension benefit or Social Security. The cumulative effects of trying to juggle family caregiving with much-needed employment often results in significantly less retirement income for older women than older men.

VI Conclusion

AARP is concerned about the economic situation of mid-life and older women. If today's workers do not have adequate employment opportunities and a reasonable income, then their hope of adequate retirement income security is diminished. Fortunately, Congress has an opportunity to make responsible changes in many areas that enhance the income security of older Americans. We believe these proposed changes would go far to improve the real economic security and peace of mind of today's working Americans, especially women, as they look ahead to retirement.

Mr. HUGHES. Thank you, President Crooks. Mr. Bechill, welcome.

STATEMENT OF WILLIAM D. BECHILL

Mr. BECHILL. Thank you, Mr. Chairman, my name is William Bechill, executive vice chair of the Save our Security Coalition and our testimony today will cover five major areas.

First, the coalition's position on various ways to improve the Social Security cash benefit program for disabled widows, for widows, and for the divorced spouses of covered wage-earners.

Secondly, we propose, in our written testimony, a reopening of the debate on the need for a modified earnings sharing system being incorporated into the OSDI program and, pursuant to your request, Mr. Chairman, we will make some comments with regard to the matter of women who are providing important caregiving responsibilities to either a disabled spouse, child, or elderly relative.

Finally, we will present some ideas for your consideration regarding the serious economic situation faced today by many older widows and older women who are receiving either OSDI benefits or SSI payment.

Last month I had the opportunity to present the recommendations of the Women's Committee of the SOS Coalition to the Subcommittee on Social Security. Our recommendations were with respect to the current definition of disability for disabled workers, the matter of delayed retirement credits for working widows, the elimination of the 2-year waiting requirement for divorced spouses, and changing the deep spouse status to protect the so-called good faith spouse receiving benefits under the law

Mr. Chairman, I am very pleased with the action that has been taken, and I refer to this by the Subcommittee on Social Security of the House Ways and Means Committee and their mark-up session. My testimony does not include something that was inadvertently dropped in its final draft, and that it is we remain concerned, as a coalition, with the fact that the subcommittee did not include in its recommendations the elimination or lowering of the age 50 requirement for disabled widows, and we are going to continue to press for that change before both Houses of the Congress.

Since 1982, moving to earning sharing, the SOS Coalition has supported a modified earning sharing system as an approach to addressing some of the problems of adequacy and equity faced by women under the current Social Security system and, as you know, Mr. Chairman, earning sharing approaches are not new proposals. But, we do think it is time again for the Congress to give some serious attention to the adoption of some form of modified earning sharing.

Earning sharing would treat marriage as an economic partnership, which it truly is. An earning sharing system would base Social Security benefits on earning records shared equally by the couple for each year of their marriage. I am a little more informed about this system than my testimony suggests. I realize that it is not an easy system to immediately go to. It would require a transition of some time. But I think it would address many of the inequities that have been presented this morning before you, particularly

the lack of coverage for homemakers, for women who are disabled and for women generally.

You asked for our comments about providing Social Security benefits for women who have major caregiving responsibilities. There is no question in my mind that those in such caregiving roles are providing an important service. There is no question that such caregiving involves real sacrifices on the parts of many thousands of women—hundreds of thousands of women—who, because of such responsibilities are forced either to drop out of the labor force or not enter the labor force, regardless of their need and interest in regular employment.

At the present time, SOS has no position with the extension of coverage to those performing such caregiving roles. It may be, as some have suggested, notably the Older Women's League, that the appropriate response would be to provide an additional year as a drop off for such caregivers. A related issue here is what kinds of long-term care service should be available to assist those to provide care to younger and older persons who are in need of regular assistance with the major activities of daily living. It may be that a needed approach would be to establish, under the Social Security program, a community-based long-term care program that would offer services to such persons, including respite care, in-home services, adult daycare and case management.

The question of extension of Social Security coverage to persons in caregiving roles is a difficult one. Speaking personally only—I cannot speak for a coalition of 100 organizations today on this subject—I think that future public policy regarding long-term care in our Nation should be designed in such a way to enhance a family's interest and willingness to provide care for their older and younger members. There may be ways to achieve that goal. Such ways will probably involve some modification of the existing Social Security program, the medical program, and private pension and health insurance programs as well.

In the balance of my testimony, Mr. Chairman, I refer to needed improvements in the supplemental security income program and the need for a major outreach effort with respect to current low income beneficiaries who are receiving Social Security. SOS particularly urges this committee to examine how the SSI program can be improved in its day-to-day administration, so that the Social Security Administration, through its district offices, can be more responsive to those applying or reapplying for assistance under the SSI program.

We also urge the subcommittee to continue to ask the Social Security Administration and other agencies concerned with the needs of older and disabled people to find ways to reduce the nonparticipation of potentially eligible persons in the program. It is shocking to consider that almost half of all potentially eligible persons 65 and over still are not participating in an SSI program after a 16-year period of program implementation.

We close by wanting to register our support for the provisions of H.R. 4229, that Congressman Thomas Downey and others have introduced. The bill would require SSA to notify all low-income beneficiaries of the existence of the SSI program and require the Social Administration to assist such beneficiaries who may wish to apply

for SSI. SOS believes that there are many beneficiaries of Social Security who are uninformed about the SSI program and whose benefits and asset-holdings are such that they would be potentially eligible for the program. In fact, in testimony before the Senate Special Committee on Aging 2 months ago I suggested that there was potentially 2 million current beneficiaries of the Social Security program who are potentially eligible for SSI and not receiving benefits. We commend Mr. Downey for his support of this outreach effort and we urge the Congress to enact such legislation.

Thank you again, Mr. Hughes, for this opportunity to testify. SOS would be glad to provide any additional information that the subcommittee may wish on this very important subject.

[The prepared statement of Mr. Bechill follows:]

STATEMENT OF WILLIAM D. BECHILL

SAVE OUR SECURITY COALITION (SOS)

on

Income Security of Older Women

before the

SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

HOUSE SELECT COMMITTEE ON AGING

U.S. HOUSE OF REPRESENTATIVES

May 22, 1990

Cannon House Office Building

Washington, D.C.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

My name is William Bechill executive, vice-chair of the Save Our Security (SOS) Coalition. I have been a member of the coalition since it was founded in 1979 by the late Wilbur J. Cohen. I served as the U.S. Commissioner on Aging from 1965 to 1969. Since then, I have been a member of the faculty of the School of Social Work of the University of Maryland at Baltimore.

The SOS Coalition appreciates this opportunity to present its views on the very critical subject of how well the present Social Security system is meeting the needs of women in our society for income protection and support. SOS has long felt that there are issues of both adequacy and equity regarding women that need to be addressed in the Old Age, Survivors, and Disability Insurance and Supplemental Security Income programs.

Our testimony today will cover the Coalition's position on various ways to improve the Social Security cash benefit program for disabled widows, for widows, and for the divorced spouses of covered wage-earners. Second, we propose that there be a reopening of debate on the need for a modified earnings sharing system being incorporated into the OASDI program. Then, we include some comments concerning what kind of response the Social Security program should give to women who are providing important care-giving responsibilities to a disabled spouse, child, or elderly relative. And, finally, we present some ideas for the Subcommittee's consideration that relate to the serious economic situation of many older widows and older women, with low incomes, currently receiving either OASDI benefits or Supplemental Security Income payments.

CHANGES IN THE DISABLED WIDOWS, WIDOWS, AND DIVORCED SPOUSE BENEFITS UNDER SOCIAL SECURITY

Last month, in testimony before the Subcommittee on Social Security, SOS presented its recommendations on four matters of concern. These were: (1) The current definition of disability for disabled widows; (2) the matter of delayed retirement credits (DRC's) for working widows; (3) the elimination of the two-year waiting requirement for divorced spouses, and (4) changing the deemed spouse status to protect the good faith spouse receiving benefits under current law.

As you know, Mr. Chairman, the Subcommittee on Social Security took action last week on these matters The Subcommittee's action to change the present definition of disability used for disabled widows and widowers is an extremely important policy change. It will mean that a disabled widow's disability will not be determined on the basis of the same criteria used for disabled workers generally. This will allow consideration of the factors of age, education, and work experience in the determination of disability. Also, the Subcommittee's changes include the word "substantial" in the definition of inability to work, another significant change.

We wish to commend the Subcommittee on Social Security for the other changes it is now proposing. The Subcommittee's bill would treat good faith spouses and divorced good faith spouses as a divorced spouse of a wage earner, a change in the deemed spouse status of the law that would protect many "good faith" spouses whose benefits are now lost or in jeopardy under current law. Also, the Subcommittee on Social Security has proposed changing the law to allow a working widow to have the delayed retirement credits she has earned to be added to the work-record of her spouse, another important change. Also, the Subcommittee's proposals includes some modification of the

present two year waiting period for certain divorced spouses over age 62. Again, SOS is in favor of the complete elimination of the two year waiting period, and we will continue to advocate for this change before the Congress.

An Earnings Sharing System

Since 1982, the SOS Coalition has supported a modified earnings sharing system as an approach to follow in addressing some of the problems of adequacy and equity faced by women under the current Social Security system. Earning sharing approaches, as you know, Mr. Chairman, are not new proposals. It is time again for the Congress to give some serious attention to the adoption of some form of earning sharing.

Earnings sharing would treat marriage as an economic partnership. An earnings sharing system would base Social Security benefits on earning records shared equally by the couple for each year of their marriage. Earnings sharing also would recognize that each person would have an earning record whether or not he or she was in the paid labor force or at home.

The 1983 Amendments to the Social Security Act called for a study of the earnings sharing concept. The subsequent report of the Social Security Administration, made to the Congress early in 1985, showed some of the issues and complexities of moving to such a system. Regardless, the SOS Coalition thinks it is important for the Congress to again address and give serious attention to the earning sharing approach.

SPOUSE CAREGIVERS OF DISABLED WORKERS AND DISABLED SPOUSES

Mr. Chairman, you asked for comments regarding proposals to provide Social Security protection and benefits to women who have major care-giving responsibilities to a disabled spouse, a disabled worker, or an elderly parent or parents needing regular care. There is no question that those in such care-giving roles are providing an important service. And, there is no question that such caregiving involves real sacrifices on the parts of many thousands of women, who because of such responsibilities, are forced to either drop out of the labor force, or not enter the labor force regardless of their need and interest in employment.

SOS currently has no position with respect to the extension of coverage to those performing such care-giving roles. It may be, as some have suggested, notably the Older Womens League, that the appropriate response would be to provide additional years of "drop out" for such caregivers. Certainly, such an approach could help in the eventual computation of the retirement benefits of the caregiver, as well as the amount of benefits that could be received upon retirement.

A related issue here is what kinds of long-term care service should be available to assist those providing care to younger and older persons who are in need of regular assistance with the major activities of daily living. It may be that a needed approach would be to establish, under the Social Security program, a community based long-term care program that would offer services to such persons, including respite care, in-home services, adult day care, and case management services.

The question of extension of Social Security coverage to persons in care-giving roles is a difficult one. Speaking

personally only, I think that future public policy regarding long-term care in our nation should be designed in such a way to enhance a family's interest and willingness to provide care to their older and younger members. There may be many ways to achieve that goal, and such ways will probably involve some modifications of the existing Social Security program the Medicare program, and private pension and health insurance programs as well.

NEED FOR IMPROVEMENTS IN THE SSI PROGRAM

Three fourths of the persons 65 and over who receive SSI are women. SSI is the nation's major public assistance program for the needy aged, blind, and disabled. OVer the last several years, the SOS Coalition has called for major reforms in the SSI program. We continue to support legislation that would bring the existing DDI federal benefit level up to the official US poverty level; mandate a continuous and comprehensive outreach program by the Social Security Administration, eliminate the one third reduction requirement for those living in a household of a relative, liberalize the present stringent asset requirements of the current law and related changes.

SOS particularly urges this Subcommittee to examine how the SSI program can be improved in its day-to-day administration so that the Social Security Administration through its district offices can be more responsive to those applying or reapplying for assistance under the SSI program. Also, we urge the Subcommittee to continue to ask the Social Security Administration and other agencies concerned with the needs of older and disabled people to find ways to reduce the nonparticipation of potentially eligible persons in the program. It is shocking to consider that almost half of all potentially eligible persons 65 and over still are not participating in the SSI program after a 16 year period of program implementation.

SSI OUTREACH AMONG SOCIAL SECURITY BENEFICIARIES

Mr. Chairman, we wish to register our support for the provisions of H.R. 4229, that Congressman Thomas Downey and others, have introduced. The bill would require SSA to notify all low income beneficiaries of the existence of the SSI program and require the Social Security Administration to assist beneficiaries who may wish to apply for SSI. SOS believes that there are many beneficiaries of Social Security, including many older widows and older women, who are uninformed about the SSI program and whose benefits and asset holdings are such that they would be potentially eligible for the program. We commend Mr. Downey for his support of this outreach effort and urge the Congress to enact such legislation.

Thank you again, Mr. Chairman, for this opportunity to testify. SOS would be glad to provide any additional information that the Subcommittee may wish on the points covered in our testimony.

Mr. MR. HUGHES. Thank you, Mr. Bechill. Ms. Yarrington, welcome.

STATEMENT OF MARY JANE YARRINGTON

Ms. YARRINGTON. Thank you, Mr. Chairman. Constituent mail right here on the Hill taught me that even though Social Security is the most successful program this Nation has ever enacted, far too many hard-working individuals live out their final years in poverty. Whether divorced or married, spouses or widows, women who work outside the home frequently receive little or nothing more than if they had never entered the paid workforce. More and more women are in this situation and they think it's unfair.

Women and minorities are the most vulnerable to poverty and old age. As the charts over there show, right now 45 percent of older women living alone are below the near-poverty rate.

A major factor is wage discrimination on the basis of sex, age, and race. Social Security alone can't solve that. But Social Security can do a better job of taking into account the years spent caring for family members, disability, divorce, widowhood, and lifetime low wages. The chart over there shows that the average worker benefit paid to a woman on the rolls today is $488. Mr. Chairman, that's very deceptive.

The Social Security Statistical Bulletin, which just came out, shows that a 69-year-old woman in December 1988 was receiving $441. A 65-year-old woman was receiving only $390. Average benefits to working women are dropping like a stone. The reason they are, we believe, is zero years.

Since the 1950s, each age cohort has needed 1 more year of earnings to compute monthly benefits. The more years of earnings required, the more likely that a woman is going to have zero earnings years in her earnings record. Each retiree reaching age 62, after 1990, when the Social Security system finally matures, will need 35 years of earnings to determine monthly benefits. Few women realize the impact of zero years if they retire early, until after the decision has been made.

For a woman who lacks 35 years of earnings, retirement at age 62 exacts a double penalty. Her benefits are reduced 20 percent for 3 years of early retirement, but the loss of three additional years of earnings means that the actual reduction, compared to what she would receive at age 65, is 30 percent or more. Widespread dissemination of personal earnings and benefits statements are one element that could help public education, but we need much more public education, as your witnesses this morning pointed out.

For a wife or a widow who has not been in the paid workforce at all, Social Security spouse or widow benefits, in effect, provide a caregiver benefit. But, if a wife works outside the home, she could be dually entitled to benefits as a worker and as a wife or widow. She will receive only the larger of those two benefits. Even though she may have divided her worklife between home and the marketplace, she cannot receive both benefits. Social Security recognizes her contribution as a caregiver; what it doesn't recognize is her dual role.

Widow benefits also are often inadequate. The Commonwealth Fund's research on elderly individuals living alone indicated that the survivor of a couple living at near poor income—that is, within 150 percent of the poverty level—needs 75 percent of their joint income to keep from falling into poverty. Social Security provides the survivor, at best two-thirds of the couple's combined Social Security income.

But, if a wife's own benefits are greater than half of her husband's benefits, or even almost equal to his benefits, the survivor can be left with as little as 50 percent of their combined Social Security income.

Under our pension laws, until 1974, the law didn't even mandate a survivor option. Since 1984, two signatures are required to forfeit the survivor option. But, at best, the pension plan is required to offer a 50 percent annuity. So, what do we have? A need for 75 percent of income, two-thirds maximum Social Security, 50 percent maximum pension benefit per survivor annuity. These are structural problems.

I was very pleased this morning that the special minimum was mentioned. A year ago I testified before Congressman Jacob's Social Security Subcommittee and urged that the special minimum benefit formula be improved. It needs improvement in two ways: a reduction in the dollars required to count as a special minimum year and it needs to count more years. Probably nothing that we can do would have a greater impact on benefits for lifetime low-wage workers or their survivors or on minorities, who are the most likely to have worked a full lifetime at low wages, than the improvement of special minimum benefits.

The Social Security Subcommittee has ceded to our request and has recommended that the dollars required be dropped. That is the first step. We urge greater years be counted. Maximum special minimum benefits this year are only $437. Increasing the special minimum countable years to cover at least 40 years in the workforce would provide $654 a month.

Social Security law appears to treat divorced women very well. If a marriage lasts 10 or more years, a divorced woman remains eligible for spouse or widow benefits on her former husband's Social Security earnings. But, the dual entitlement rule means that a divorced woman receives only the larger of her two benefits. If she spent years out of the paid workforce as a caregiver, her own benefits are woefully inadequate because of zeros. As long as her husband is alive, the maximum she is entitled on his earnings records is 50 percent of his benefits.

Delayed retirement credits are another area in which I have urged changes for many years. Social Security benefits are reduced when workers receive benefits early and they are increased when workers work past full retirement age. But spouses or widows who remain in the workforce seldom get any benefit in return for their extra years of work. Any woman who works past full retirement age receives the delayed retirement credit on her own earnings record, but as long as her spouse or widow benefits are greater than her own benefits, which is usually the case, she gains nothing by delaying her own retirement. Her monthly check remains the same as if she had never been in the workforce.

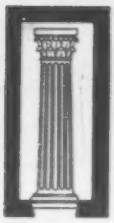
Similarly, widows of men who retire early, need to receive credit for continuing in the workforce. Under current law, a husband's age at retirement determines the maximum benefits his widow can receive. If a husband retires at age 62, benefits to his widow are determined as if she retired at 62, even if she works to age 70. More widows might be encouraged to actively seek employment and continue employment, if by so doing, they could enhance the benefits they are entitled to receive as widows by continuing to work.

Structural change in Social Security is not something that can happen overnight. A great deal of research and debate is needed before our society can reach a consensus on whether and how Social Security could be redesigned to better meet the needs of working women and caregivers when they retire or are widowed.

A number of more modest reforms, however, are ripe for action, such as an increase in the special minimum benefits, or benefits to disabled widows, a crusade I have been on, sir, for better than 20 years.

I have referred to several other issues in an appendix to my prepared statement, that stress the need for equitable benefits for disabled widows, disabled spouses and many other categories where modest changes could get people not on SSI, but off SSI. Thank you, sir.

[The prepared statement of Ms. Yarrington follows:]



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Statement of Mary Jane Yarrington

On behalf of

The National Committee to Preserve
Social Security and Medicare

Presented To

The Retirement Income and Employment Subcommittee
House Select Committee on Aging

Regarding
Retirement Income Policy Affecting Women

May 22, 1990

SUMMARY

Women are most vulnerable to poverty in old age. And minority women have the highest rate of poverty of all.

Alleviating the high rate of feminine poverty in old age calls for more than one solution, but there is ample room for improvement in Social Security if this country has the will.

A great deal of research and debate will needed before our society can reach a consensus on on the appropriate role of Social Security in the next century.

Zero Years: From 1991 forward, each worker reaching age 62 will require 35 years of earnings to determine monthly benefits. Women generally lack 35 years of earnings because of years spent out of the paid work force as family caregivers. They will have zeros averaged in. The effect of zero earnings years on women's Social Security worker benefits is already evident. **Average benefits to women retirees are going down.**

Dual Entitlement: For a wife or widow who has not been in the paid work force, Social Security dependent benefits provide a benefit for caregiver years. If a wife also works, she could be entitled to benefits both as a worker and as a wife or widow, but will only receive the higher of the two benefits. Even though she may have divided her work life between caregiving and paid work, her Social Security benefits are based on one or the other.

Survivor Benefits: Widow benefits are often inadequate. In a family where the wife did not work outside the home, when either one dies, the survivor receives two-thirds of their combined Social Security income. But if a wife's own benefits are greater than half of her husband's benefits or even equal to his benefits, either survivor will be left with as little as half of their combined benefits.

Divorced Spouses: Social Security law appears to treat divorced women well. The rule against dual entitlement, however, means she receives only the larger of her own earned benefits or her spouse or widow benefits. If she has spent years out of the work force as a caregiver, neither her own benefit nor half of her former spouse's benefits are adequate to maintain a separate household.

Special Minimum: There are few changes that would do more to decrease poverty for lifetime low income earners than by extending the number of years counted and decreasing the amount of earnings required for special minimum benefits. Special minimum benefits, now a maximum of $437 a month, look at only 30 years of work. Credit for 40 years of work could increase special minimum benefits to $654 a month.

Delayed Retirement Credits: Social Security benefits are reduced when workers receive benefits early and increased for work past full retirement age. But spouses and widows who remain in the work force past the age at which their husbands retired or past full retirement age seldom get any benefit in return for their continued work force participation.

Mr. Chairman and Members of the Subcommittee, I am Mary Jane Yarrington, a Senior Policy Analyst for the National Committee to Preserve Social Security and Medicare.

I am here today as a spokesperson for the five million men and women who are members of the National Committee. But I am also here as an advocate for all men and women who have grossly inadequate retirement income after a lifetime of work whether in the home or the marketplace.

Prior to joining the National Committee, I worked for Members of Congress for thirty-one years. By reading constituent mail, I learned that even though Social Security is the most successful program this nation has ever enacted, far too many very hard-working individuals live out their final years in poverty or near poverty.

A look at average benefits as categorized by the Social Security Administration itself will quickly identify women and minorities as most vulnerable to poverty in old age. And minority women have the highest rate of poverty of all. But within those categories of impoverished Social Security beneficiaries are subcategories such as older women living alone, disabled widows, disabled spouses, divorced women and lifetime low-wage workers and their survivors, either men or women, for whom low Social Security benefits are likely to represent 80 to 90 percent or more of total income. The majority of those poverty-stricken retirees are women who have little or no other income.

Alleviating this high rate of poverty among older women calls for more than one solution. Social Security cannot solve all of the nation's retirement income

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problems, especially those related to wage discrimination on the basis of sex, age and race either singly or in combination.

But what you are looking at today is Social Security's role. What do we as Americans want from our Social Security system? Is it meeting our objectives? Do all retirees have access to a basic floor of adequate and equitable retirement income through the Social Security system whether they have been lifetime paid work force participants, caregivers, or have divided their work life between home and work place? If not, who does not receive a fair and adequate return on his or her lifetime of work? How can they be better protected?

Zero Years

Average benefits for retired female workers are declining. We believe a major reason is that new retirees must use more years of earnings in the benefit formula. If a worker doesn't have the number of years of earnings required, he or she must average in zeros. Women who spend an average of eleven years as unpaid caregivers are much more affected by the increased number of years than men.

This is not an intentional benefit cut, but is the unintended consequence of the gradual maturation of the Social Security system. Next year, when it will have been forty years after the last major groups of workers were brought under the system, Social Security will reach full maturity. From 1991 forward, each worker reaching age 62 will have had an opportunity for a full work life in Social Security covered employment and 35 years of earnings will be required to determine monthly benefits. Workers with less than 35 years of earnings will have zeros

averaged into their benefit computations. Workers turning age 62 before 1991 have needed to use less than 35 years. For example, a worker born in 1925 needed 31 years of earnings; a worker reaching age 62 this year needs 34.

In December 1988, average monthly Social Security retirement benefits paid to a 65-year-old woman worker were $390 per month. The average retired woman worker four years older, received $441 a month. Zeros can explain the year-by-year drop from one benefit amount to the other. During these same years, men's benefits dropped from $583 to $573. *(Annual Statistical Supplement of the Social Security Bulletin. Copies attached.)*

Mr. Chairman, this situation is likely to grow worse. Twenty-nine years of earnings were used to determine the monthly Social Security benefits of the woman retiree who was 65 in 1988; 25 for the woman born four years earlier. But every retiring worker born in or after 1929 will need 35 years of earnings. Those who lack 35 years will have zeros included in their benefit computation. Men generally have 35 or more years of earnings. Women generally do not. Years spent caring for children or other family members will take their toll in retirement income. Average monthly benefits could drop even lower.

The problem of zero years is compounded by early retirement. For a woman who lacks 35 years of earnings, retirement at age 62 exacts a double penalty. At age 62, her benefits are reduced by 20 percent. But the loss of three extra years of earnings--which would have replaced three zeros in her earnings record--means that the actual reduction could be 30 percent or more compared with the benefits she would receive on her own earnings record if she worked three extra years.

The first time most workers--men or women--learn anything at all about how their benefits are computed or how many years of earnings are counted is during their retirement application interview after the decision to retire has been made and, as frequently happens, the employer has already been advised of the decision. The Social Security Administration has begun to address this problem with Personal Earnings and Benefits Estimate Statements and we encourage our members to request this information. But there is an appalling lack of public understanding about our most basic retirement program. Greater public information and education efforts about Social Security are urgently needed. All workers contemplating retirement deserve to have the information they need to make the retirement choice which is in their own long-term best interest.

Many women voluntarily leave the work force before full retirement age, but in far too many cases there is a real question whether a mature woman who elects to receive early Social Security retirement benefits drop outs, is pushed out, or is locked out of the paid work force.

Dual Entitlement for Caregiving and Working

The original design of Social Security provided benefits only for paid labor force participants. But before the first retirement benefits were paid out, the law was amended to provide dependent benefits for wives, widows, and young children based on the earnings of the husband or father. For a wife or widow, these dependent benefits, in effect, provided a benefit for caregiver years. If a wife also worked, she could be entitled to benefits both as a worker and as a wife or widow. But, while dually entitled, the wife or widow who was also eligible for worker benefits could only receive the higher of the two benefits. Even though she may

have divided her work life between caregiving and paid work, her Social Security benefits were based on one or the other, not both. Social Security recognized the contribution of lifetime caregivers. What it didn't do is recognize the role of women as both caregivers and workers.

Women who work frequently receive little or nothing more than if they had never worked. More and more women are in this situation and they think it is unfair. As one woman wrote:

> "I maintain that women do not realize this *(i.e. being limited to only the higher of the two benefits)* and so it is not an issue until they reach retirement age and then have no way to fight this injustice. I really feel this law will be altered in years to come with the advent of so many women working and earning."

Survivor Benefits

Widow benefits are an area where Social Security could be considered generous. Yet benefits for a survivor are often inadequate. When a wife's own benefits are equal to or less than her spouse benefits, the couple's total Social Security benefits are equal to 150 percent of the husband's benefits. When either one dies, the survivor continues to receive two-thirds of their combined Social Security income.

But if a wife's own benefits are greater than half of her husband's benefits or even equal to his benefits, either survivor will be left with as little as half of their

joint income. A Lakewood, New Jersey, woman wrote to me about this problem just last month:

> "We needed the income, and so I started working full time to help out. I worked for over 30 years. We both worked until age 65. Our only income is Social Security. My concern now is that if my husband should die, the difference between our two incomes is less than $100 per month. I would receive his, but why should I also not be eligible to receive at least half of mine instead of forfeiting what I earned altogether."

I telephoned my correspondent and learned that her husband and she receive above-average benefits of $846 and $746 respectively. They are able to maintain their home and live modestly. But the survivor will not be able to maintain anywhere near a comparable standard of living on 53 percent of their current combined Social Security income. When couples have lower personal benefits, the survivor will be worse off.

The Commonwealth Fund's research on elderly individuals living alone found that the survivor of a near-poor couple requires 75 percent of their combined income to keep from falling below the poverty level. But Social Security, by its design, provides a survivor only two-thirds of their combined Social Security income. Our pension laws--which until 1974 did not even mandate a survivor annuity option--now require qualified plans to offer 50 percent annuities to surviving spouses. Each benefit is far short of the 75 percent needed by the survivor of a couple whose combined income is within 150 percent of the Federal poverty line. Couples at higher income levels would, in all likelihood, require different percentages to permit a survivor to maintain a standard of living even somewhat

close to that enjoyed by the couple. But, up to now, we have no data to guide us in redesigning Social Security or pension law to better serve retiree needs and protect the survivor from falling further into poverty as he or she ages.

This, too, is an area in need of basic research to guide the Congress in formulating changes to our nation's retirement income programs.

Special Minimum Benefits

Any increase in basic benefits helps women either directly by increasing their personal benefits or indirectly by increasing their spouse or widow benefits. There are probably few changes which could be made that would have a greater impact on spouses and widows whose benefits are based on low lifetime earnings than by extending the number of years of earnings counted in determining special minimum benefits and decreasing the amount of wages required for a special minimum year. These are changes the National Committee recommended a year ago, when the Ways and Means Social Security Subcommittee held hearings on the Oldest and Poorest Social Security recipients. The Subcommittee accepted our recommendation to reduce required annual earnings, but that change was not included in reconciliation. Again this year, the Subcommittee has made the same recommendation and we hope that all Members of this Subcommittee will support the change. But the fact that the special minimum benefit formula considers only 30 years of work restricts its beneficial impact. The National Committee believes individuals who have spent 40 and 50 years in the work force at low wages should receive greater credit for those years than current law provides.

Maximum special minimum benefits in 1990 are only $437. Increasing countable special minimum years to at least 40 would provide long-term, low wage workers with up to $654 in monthly benefits. Many low wage workers are never able to leave the work force. But unless new earnings increase the average lifetime earnings on which their benefits are based, they will never receive an increase in their basic benefits other than through cost-of-living adjustments. This is unfair to low income 70 and 75 year olds who still are working and will continue to work as long as they are able in order to retain their independence.

Divorced Women

Social Security law, on the surface, appears to treat divorced women very well. If a marriage has lasted ten or more years, a divorced woman remains eligible for spouse or widow benefits on her former husband's Social Security earnings record. But the problem is that what is given to her in one section of the law is taken away in the other. Because of Social Security's rule against dual entitlement, a divorced woman receives only the larger of her own earned benefits or her spouse or widow benefits. If she has spent years out of the work force as a caregiver, her own benefits are woefully inadequate because of zero earnings years. And, as long as her former husband is alive, benefits to which she is entitled on her former spouse's earnings record are also inadequate to maintain a household because the maximum she can receive is 50 percent of his age 65 benefits.

Upon his death, of course, she can receive 100 percent of his benefits. But until that time, as long as her own benefits are less than her spouse benefits, no matter how many years she works, her monthly Social Security benefits never change. It could also be pointed out that this divorced woman in the work force--no

matter how low her earnings--is ineligible for an earned income credit to offset her Social Security FICA taxes because earned income credits are restricted to families with children.

If this divorced spouse's former husband works until age 70, her spouse benefits will never include any portion of his delayed retirement credits. But if he leaves the work force before he attains full retirement age (now 65), even if she works until age 70, any widow benefits to which she eventually becomes entitled will be determined as if she retired at the age that he retired.

But encouraging a divorced woman who can work to continue to do so into her advanced years is not a substitute for adequate retirement benefits in her own right. There are no easy answers to this question. The dual entitlement rule could be modified to permit a divorced spouse to receive both her spouse benefit and at least some portion of her own benefits, but that would entail a cost to the Social Security system. Other nations have resolved the problem by requiring couples, or authorizing divorce courts, to share earnings records between the two parties, thereby providing the low or non-earner the same retirement income as the greater earner. We do not know whether that solution would be politically or socially acceptable in this country.

The National Committee has not developed a position on this issue and would not do so without seeking the advice and concurrence of its membership. However, we recognize that inadequate benefits to divorced spouses are an issue needing public debate and Congressional inquiry in order to develop a policy that is equitable.

Delayed Retirement Credits for Spouses and Widows

Social Security benefits are reduced when workers receive benefits early and are increased when workers delay receiving benefits after full retirement age. But spouses and widows who remain in the work force past the age at which their husbands retired or past full retirement age seldom get any benefit in return for their continued work force participation. Any woman who works past full retirement age does receive a delayed retirement credit on her own benefits. But if her spouse or widow benefits are greater than her own benefit, which is usually the case, she gains nothing from her own delayed retirement. Her monthly check will remain the same as if she had never entered the work force.

A woman entitled to $300 a month based on her own earnings, but who is also dually entitled as a widow to $600 a month based on her deceased husband's earnings, for example, gives up the entire $600 if she continues to work at earnings above the annual earnings limitation. When she ultimately retires, the National Committee believes she should receive a delayed retirement credit on the full amount she forfeited by continuing to work.

The recently-released Social Security Bulletin Statistical Supplement for 1989 contains a table of the categories of beneficiaries who, in 1988, had benefits withheld due to the earnings test. Over 100,000 women 65 to 69 had excess earnings resulting in the loss of their own benefits. There are undoubtedly many more working women in this age group who have never filed for benefits.

Similarly, widows of men who retire early need to receive credit for continuing in the work force. Under current law, a husband's age at retirement

determines the maximum benefits his widow can receive. For example, if a husband retires at age 62, benefits to his widow are determined as if she retired at age 62 even if she works to age 70. If he retires at age 63, her benefit is computed as if she retired at 63. That is hardly an inducement to work force participation at earnings sufficient to offset benefits.

Many more widows might be encouraged to actively seek employment and continue employment if by so doing they could enhance the benefits they are entitled to receive as widows. If this country is serious about wanting to discourage early retirement, then delayed retirement credits should be paid to widows who enter in and remain in the work force and early retirement reductions should be restored.

Conclusion

Structural change in Social Security, if it is warranted, is not something that can happen overnight. A great deal of research and debate is needed before our society can reach a consensus on whether or how Social Security could be redesigned to better meet the needs of retired workers in the next century.

Major modification of Social Security, however fashioned, would require many years to be fully phased in. But there are workers and dependents already retired, close to retirement, or disabled who cannot wait for retirement income equity. In many instances, modest changes in Social Security law would provide sufficient additional Social Security income to alleviate their poverty.

In previous testimony, before the Ways and Means Social Security Subcommittee, I have identified other areas of Social Security law where benefit levels need improvement. Equitable benefits to disabled widows and disabled spouses are one example. Appended to my formal statement is a summary of recommendations on which I have testified. I would welcome your questions on those issues as well as on my testimony today.

Table 5.A1 (1988).—Number and average monthly benefit, by type of benefit, race,[1] age, and sex, at end of 1988—Continued

[Based on 10-percent sample]

Age and sex	Total		White		Black		Other	
	Number	Average monthly benefit	Number	Average monthly benefit	Number	Average monthly benefit	Number	Average monthly benefit
	RETIRED WORKERS—Continued							
Women	11,359,980	$462.30	10,209,970	$469.10	918,940	$395.80	231,070	$424.90
62-64	1,194,360	349.10	1,065,350	352.00	85,600	317.10	43,410	342.30
62	323,740	332.70	290,280	334.60	22,410	304.10	11,050	339.00
63	416,080	351.80	369,790	354.50	30,030	323.50	16,260	343.10
64	454,540	358.40	405,260	362.10	33,160	320.10	16,100	343.80
65-69	2,950,400	415.60	2,610,190	419.40	246,780	373.10	93,430	420.90
65	583,770	390.70	511,360	392.00	47,010	357.60	25,400	426.30
66	597,110	405.50	522,660	407.90	50,290	368.60	24,160	430.10
67	621,750	416.50	552,150	420.70	50,860	370.50	18,740	417.00
68	591,020	424.90	527,870	430.10	49,890	377.20	13,260	396.80
69	556,750	441.40	496,150	446.80	48,730	391.30	11,870	419.80
70-74	2,678,100	502.00	2,407,190	508.70	219,350	435.30	51,560	475.80
70	578,050	472.70	520,870	478.30	45,570	414.00	11,620	453.80
71	550,990	489.70	495,270	495.80	45,320	426.00	10,400	475.50
72	531,620	519.80	476,360	526.60	44,210	454.10	11,030	489.80
73	516,240	517.10	464,500	523.90	41,320	448.70	10,420	482.90
74	501,190	515.20	450,170	523.40	42,930	435.50	8,090	480.20
75-79	2,070,550	510.30	1,873,640	518.50	171,520	426.20	25,390	473.80
75	468,530	512.90	421,070	520.80	39,680	434.40	7,780	485.60
76	448,370	508.60	404,220	516.50	37,760	430.30	6,390	472.10
77	411,460	510.80	374,460	518.70	32,590	424.40	4,410	474.30
78	384,860	508.40	348,900	517.70	32,510	414.80	3,450	454.00
79	357,330	510.60	324,990	518.60	28,960	424.70	3,380	469.50
80-84	1,384,420	507.00	1,264,210	516.20	110,490	406.40	9,720	445.30
80	337,450	511.10	308,960	519.40	25,840	419.00	2,650	444.70
81	306,720	509.90	279,700	519.40	25,000	408.80	2,020	443.80
82	272,380	509.20	248,400	519.00	22,040	403.20	1,940	464.50
83	248,050	502.80	226,170	511.80	20,160	405.80	1,720	448.80
84	219,820	498.40	200,980	508.40	17,450	389.00	1,390	419.80
85-89	719,510	482.70	658,180	492.10	56,270	377.10	5,060	435.10
90-94	283,850	446.40	259,920	492.10	21,950	347.40	1,980	376.30
95 or older	78,790	394.30	71,290	455.30	6,980	313.10	520	324.00

Table 5.A1 (1968).—Number and average monthly benefit, by type of benefit, race,[1] age, and sex, at end of 1968

[Based on 10-percent sample]

Age and sex	Total		White		Black		Other	
	Number[2]	Average monthly benefit	Number	Average monthly benefit	Number	Average monthly benefit	Number	Average monthly benefit
OASDI	38,593,210	$484.00	33,987,830	$496.30	3,618,330	$392.20	987,050	$397.50
OASI	34,532,490	492.40	30,827,010	503.20	2,914,060	400.70	791,420	410.20
DI	4,060,720	412.80	3,160,820	429.40	704,270	356.90	195,630	348.40
	RETIRED WORKERS							
Men	12,482,630	604.90	11,290,680	615.20	925,290	502.30	266,660	526.70
62-64	1,334,300	552.20	1,197,250	562.80	99,900	453.50	37,150	475.90
62	345,980	543.70	311,030	553.80	25,330	444.10	9,620	460.50
63	466,860	557.40	417,740	568.80	35,580	453.50	13,540	478.60
64	521,460	553.10	468,480	563.40	38,990	458.60	13,980	470.10
65-69	3,752,790	576.00	3,367,650	585.80	295,900	485.00	89,240	507.20
65	737,680	573.20	659,780	583.50	57,150	478.40	20,750	506.60
66	770,500	577.70	687,150	587.70	62,660	487.90	20,690	515.80
67	795,400	576.60	715,900	586.20	61,130	483.90	18,370	508.40
68	758,070	569.90	683,570	579.40	58,630	477.80	15,870	501.10
69	691,140	583.40	621,250	593.00	56,330	487.10	13,560	500.90
70-74	3,176,970	666.40	2,892,510	676.60	223,360	555.60	61,100	585.30
70	710,650	630.20	646,410	640.20	50,500	526.50	13,740	539.90
71	664,800	656.90	605,930	667.00	46,020	548.90	12,850	571.60
72	630,090	696.10	573,860	706.10	44,370	585.40	11,860	627.00
73	597,830	684.20	545,370	694.60	40,670	567.80	11,790	608.40
74	573,600	670.90	520,940	681.70	41,800	556.60	10,860	588.30
75-79	2,199,210	628.90	1,998,900	639.00	159,420	523.50	40,890	549.70
75	527,930	658.30	479,480	668.00	38,320	555.10	10,130	580.30
76	487,730	638.00	442,670	648.30	35,900	530.20	9,160	562.40
77	432,570	625.60	394,780	634.90	29,840	525.10	7,950	543.50
78	393,360	607.90	357,110	619.00	29,120	495.30	7,130	509.70
79	357,620	600.40	324,860	610.30	26,240	497.80	6,520	520.10
80-84	1,247,800	588.10	1,133,000	597.60	90,140	487.90	24,660	516.90
80	320,060	597.40	291,470	607.00	22,310	497.20	6,280	506.10
81	287,550	593.30	260,880	602.40	21,030	497.30	5,640	528.80
82	243,820	589.30	221,620	598.80	17,250	485.70	4,950	523.50
83	214,470	576.90	193,840	586.70	16,580	479.20	4,050	508.80
84	181,900	574.90	165,190	584.40	12,970	470.40	3,740	517.20
85-89	550,500	551.60	500,730	561.50	39,260	443.20	10,510	482.50
90-94	178,510	528.40	162,460	538.70	13,580	413.30	2,470	481.10
95 or older	42,550	488.20	38,180	500.30	3,730	377.80	640	408.70

APPENDIX

DISABLED WIDOWS

In 1967, when disabled widow benefits were first awarded, no accurate estimate could be made of the number of disabled widows who might qualify. To guard against excessive Social Security payments, four separate limitations on eligibility were included. These limitations were to be reviewed when more information was known about the beneficiary population, but the first review was conducted only last month. The Ways and Means Social Security Subcommittee has subsequently recommended repeal of the law's separate definition of disability. No change was recommended in the other three areas. The four limitations are:

1) **More Stringent Definition of Disability:** Widows must establish their inability to be gainfully employed on the basis of severe, medically determinable disabilities alone without regard to age, education, or prior work force experience, if any. All other applicants for disability benefits, including workers, adult disabled children and SSI applicants, receive benefits if severe disabilities combined with vocational factors leave them unable to work. Approximately 25 percent of disabled widows are now denied benefits who would be eligible if the separate definition of disability were repealed.

2) **Benefit Reductions:** Initially, a 50 year old disabled widow received only half the benefits her husband had earned; now the minimum is 71.5 percent of the deceased husband's full benefits. Any reduction is unfair. Wage earners who become disabled before they reach age 65 are treated in benefit computations as if they had reached full retirement age in the year they become disabled. The 1979 Social Security Advisory Council called attention to this disparity in treatment and recommended full benefits for disabled widows and widowers at any age.

3) **Minimum Age 50:** Disabled widows are not eligible for benefits until age 50. This minimum age copied the legislative history of the 1956 Disability Insurance program under which disabled workers could not qualify for disability benefits before age 50. But four years later the minimum age for worker disability benefits was removed. Widows still must wait until age 50.

4) Seven Year Limitation: A widow must become disabled within seven years of her husband's death or within seven years of caring for a young child in order to receive disabled widow benefits. Even the legislative history of the seven year limitation seems to be lost, but there is a general feeling that the members of the Ways and Means Committee may have concluded that seven years was sufficient time for a widow to qualify for her own Social Security benefits if she should become disabled before reaching retirement age. Disregarding the obvious inadequacy of benefits based on such a short work history, every worker over age 50 needs more than seven years of Social Security credits, including five out of the immediate past ten years, just to meet the insured status requirements of the law. A 58 year old widow, for example, needs nine years of Social Security credits. But there is little financial reason to impose any limit. Actuaries estimate that only 400-500 widows a year are denied widow benefits because it has been more than seven years after a spouse's death.

DISABLED SPOUSES

Social Security presumes that a spouse who is not yet retirement age is capable of entering the work force. That presumption is as invalid in the case of disabled spouses as it is for disabled workers, disabled adult children, and disabled widows.

The 1979 Advisory Council on Social Security stated the case:

> "Since the disability or retirement of the bread-winner has interrupted the earnings being used to support the disabled spouse, benefits should be paid to make up a part of this loss just as in the case of an aged spouse. Also, disabled spouses may have increased expenses because of their disabilities. The council believes these are compelling arguments for paying benefits to disabled wives or husbands of disabled or retired workers regardless of age."

CAREGIVER SPOUSES

If a Social Security beneficiary is so severely disabled as to need aide and attendance, his spouse may be incapable of entering the work force regardless of her age. Just as a mother providing care to a young child or to a disabled adult child is eligible to

receive Social Security mother benefits regardless of her age, so should a spouse providing care be eligible to receive unreduced spouse benefits.

The General Accounting Office (GAO) in its January 1988 report on demographic and economic characteristics of new disability beneficiaries noted that nearly a fourth of disability beneficiaries were either bedridden or wheelchair bound. The same report documented the poverty and over-all poor health of disabled beneficiaries.

"Social Security benefits were the most important source of income for disabled beneficiaries," according to the GAO. "For the married disabled beneficiaries, their second most important source of income was earnings, apparently those of nondisabled spouses."

In other words, many spouses who can work do work. Many spouses, however, cannot work and take care of a disabled spouse. Withholding spouse benefits increases the likelihood that the members of that household will live in poverty.

COUNTING THREE EXTRA YEARS

The 1972 Social Security amendments removed, one year at a time, a discriminatory provision which required men's Social Security benefits to be based on the average of three more years of earnings than women workers required. But this change was not made retroactive. Social Security benefits to oldest-old workers as well as to their spouses and widows would be increased if that continuing discrimination was removed.

OLD-START BENEFITS

Benefits based on pre-1951 earnings, so-called old-start benefits, are determined by a different formula than is used today. Very few retirees qualify for maximum benefits, but for those that do, the maximum old-start benefit of $479 a month is below the poverty line. For comparison purposes, a worker retiring in 1990 who always earned maximum wages could receive $975 per month. If the 2.8 million old-start claims could be isolated, a new benefit formula could be devised to bring benefits up to date. Or, if recomputation of old earnings were not feasible, perhaps

benefits could be increased by a flat percentage based on a representative sample of recomputed old-start cases to alleviate some of the poverty of the oldest-old.

DEPENDENT PARENTS, ADULT DISABLED CHILDREN

Social Security benefits to surviving dependents of wage earners reflect a piecemeal rather than family-oriented approach to their needs. Initially, the maximum benefit payable to any surviving dependent was 75 percent of the wage earner's benefits. In 1961, widow benefits and dependent parent benefits were raised to a maximum of 82.5 percent of the wage earner's benefits. Adult disabled children were left at 75 percent. Then in 1972, widow benefits were raised to a maximum of 100 percent. Parent benefits were left at 82.5.

Parents and adult disabled children living alone have as much need as widows for full benefits. If the Social Security Act were consistent in its treatment of sole surviving dependents, parents and adult disabled children also would

DUAL WORKERS

In recent years, Congress has attempted to reduce excess benefits by offsets and windfall elimination provisions. But, in the process, some beneficiaries are being short-changed. Women who have earned their own Social Security benefits as well as a public annuity, for example, receive an offset of both benefits from their spouse or widow benefits. The combined offset can be greater than would have occurred if they had earned the same total lifetime earnings under Social Security. Even if they have worked only in the public sector, the offset can be greater than if the same lifetime income had been earned in employment covered by Social Security.

Some disabled individuals who simultaneously worked two jobs, one in employment covered by Social Security and the other in non-covered employment are inadequately compensated. When these dual workers became disabled, their combined benefits are "capped" at 80 percent of their Social Security earnings without regard to their non-Social Security earnings. The result is they may be ineligible for any Social Security benefits whatsoever even though Social Security was a substantial part of their pre-disability income.

Individuals who work sequentially, first under Social Security and then in public employment lose eligibility for Social Security disability benefits after five years. A recency-of-work provision, designed to insure that disability benefits are paid only to persons who leave the work force because of disability, discriminates against workers who move from covered employment into uncovered employment and, possibly, back again.

Individual employees cannot elect Social Security if they enter non-covered employment. There is no justification for denying Social Security disability benefits on the basis of recency of work to workers who have been continually in the work force. The absence of Social Security earnings during years of non-covered employment combined with windfall elimination provisions are sufficient safeguards against "over pensioning."

National Committee to Preserve Social Security and Medicare
House Select Committee on Aging
Retirement Income and Employment Subcommittee
May 22, 1990

Mr. HUGHES. Thank you very much Ms. Yarrington. Ms. Gottlich, welcome.

STATEMENT OF VICKI GOTTLICH

Ms. GOTTLICH. Thank you for the invitation to testify here today, Mr. Chairman. Women's workforce patterns do not fit the pattern recorded by normal pension plans. Women take breaks from their careers to care for children and aging relatives. They work part-time in order to manage family responsibilities and they work seasonally, not only in what we think of as traditional seasonal agricultural work, but as an earlier witness testified, during the Christmas rush at department stores, such as Woodies. In almost all instances, women earn less than men.

My written testimony addresses reforms that need to be made to all features of the pension system in order to increase the number of women who receive pensions and to increase the benefits they receive. I would like to limit my oral comments to the following areas: increased participation for seasonal workers, development of portability mechanisms, and the elimination of integration. Our client, Pinkie Mae Burnem, of Sanford, Florida, exemplifies the problems that women have in meeting the participation requirements if they work seasonally.

Ms. Burnem is an agricultural worker, but again, a lot of other industries have seasonal work, including department store retail work, which is certainly a ghetto for women employees. Ms. Burnem worked for her employer for between 45 and 46 years. She is 63, disabled, and receiving $198 a month in Social Security benefits. She thought that she would get a pension benefit. A pension plan was established in 1976 by her employer. However, the plan required that employee work 1,000 hours in order to participate in the plan and accrue benefits toward vesting. Mrs. Burnem worked 1,000 hours during only several years after the plan was instituted. She did not work enough or she was not permitted to work 1,000 hours for enough years in order to vest under the plan. So, she was covered, but she was precluded from participating in the plan and earning vested benefits because of the number of hours she was allowed to work.

Congress can assist workers like Ms. Burnem by strengthening ERISA. ERISA now provides that the Secretary of Labor should promulgate regulations that define a year of service in seasonal industries for participation, vesting and accrual purposes. The statute most be clarified to mandate the promulgation of such regulations, so that seasonal workers will be able to earn the pension benefits to which they are entitled.

In addition to being hurt by the number of hours that they work and the industries in which they work, women may find themselves with lower benefits because of the length of time they spend on the job. Most pension plans are designed to provide maximum benefit to a career employee who works right up to retirement age. Workers who leave before that time receive disproportionately less. Pension portability can help these particular workers.

Simulations performed for us by Sheila Zedlewsky of the Urban Institute, show that, under the most simple portability mechanism

requiring portability of pension benefits through an IRA-type savings vehicle, women workers would receive an average of $350 more in pension benefits in the year 2020. Younger retirees, age 62 to 64, would receive $846 more. These amounts may not seem like a lot of money, but to my clients and to most of the women who are working and whose retirement will put them at the poverty level, an additional $355 may enable them to buy needed medicine that they otherwise could not afford.

Increases in their pension benefits would be greater if more sophisticated portability mechanisms were in place. The value of women's pension benefits are also reduced because of inflation. A woman who leaves a job at age 45 to care for an elderly relative will have a pension at age 65 based on wages that were earned 20 years earlier. Her deferred pension benefits will not lose as much of their value if the plan used a form of performance indexing, increasing the value of her pension in those years in which the plan's rate of return on investment is better than the rate assumed at the time she left her job.

Congress needs to rethink its focus on those aspects of portability concerning the preservation of lump sum distributions. While women would certainly benefit from any provision which encourages saving for retirement, low paid women are in great need of a system which will allow them to carry all of their credits and benefits from job to job and which will protect all of their deferred vested benefits from inflation.

A portability study, focusing on the harder issues, including performance indexing and true portability—I mean by that the carrying of unvested and vested credits from job to job—should be commissioned to report back within a year to the subcommittee. Once we begin talking again about those harder portability issues, more women would be benefited by having increased benefits in pensions when they retire.

Finally, the best way to insure that women receive an adequate pension benefit is to eliminate entirely the practice of integration. Integration involves the coordination of a worker's pension benefit with her Social Security benefit. A worker's pension may be offset by her Social Security or the plan may pay a greater benefit to workers earning over a certain amount—often the Social Security taxable wage base.

Thus, integration is a way in which employers can avoid paying some or all of the low-paid workers pension benefit, even though she is vested, while at the same time providing a larger pension for the more highly paid workers.

The Tax Reform Act of 1986 does not go far enough. It eliminated the most egregious integration methods and precluded any form of integration that would result in the worker losing more than half of her pension benefits. But these reforms only apply to benefits which accrue after 1988, so that different rules will be applied to the same employee for work before and after 1989. A woman who retires in 1990 may find herself with only 1 year of pension benefits, her benefits for the years before 1989 having been integrated out under the old benefit formula.

The Tax Reform Act modification should be made retroactive for all employees who have 1 hour of service after December 31, 1988,

so that all women and other low-paid employees, can benefit from the reforms and receive at least a minimal pension benefit upon their retirement. But even if the new integration provisions are made retroactive and apply to all years that a woman works under a pension plan, her pension can still be reduced by as much as 50 percent. The basic inequities caused by integration remain.

A low-paid worker who lacks the additional savings and other resources to supplement her Social Security and retirement will only get a portion of the benefit for which she worked, while a higher paid worker with more resources will get an unreduced benefit or a benefit that's not reduced as greatly.

Although Social Security may replace more of a low-paid worker's preretirement income, she needs more of her income to meet her basic needs in retirement. Her only hope of receiving an adequate pension is to eliminate integration.

We would prefer that integration be eliminated immediately, but if the process must be more gradual, we suggest that Congress start with the retroactive application of the tax reform amendments so that women workers currently close to retirement age receive a portion of the benefit for which they work. Our way of thinking about pensions needs to be changed. If we continue to view a pension as a reward for the long-term faithful employee, fewer and fewer women will receive that reward. It is time to change the system to reflect the career moves of half of our population, so that they do not find themselves strapped in poverty as they age.

[The prepared statement of Ms. Gottlich follows:]

TESTIMONY OF VICKI GOTTLICH
BEFORE THE
SELECT COMMITTEE ON AGING
SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

May 22, 1990

Thank you for the invitation to testify concerning the impact of retirement income policies on older women. The National Senior Citizens Law Center provides litigation and technical support to legal services programs funded by the Legal Services Corporation and the Administration on Aging. Our clients and those of the legal workers to whom we provide assistance are primarily low-income and elderly. From the time that it was organized in the early 1970's, the Law Center has helped workers and retirees receive their pension benefits.

Because of our work in the area of private pensions, we received a grant in 1985 from the Ford Foundation to address the role of the private pension system in contributing to the retirement income of older women. Among the many goals of the Women's Pension Equity Project was the analysis and identification of those features of the private pension system which cause sex-based differentials in the distribution of private pension income. In other words we were interested, as is the Subcommittee, in why older women do not receive pension benefits upon retirement, and why, if they do receive pensions, the amount they receive is so much less than that received by men. To assist us with our analysis, we obtained a grant from the Rockefeller Foundation and subcontracted with the Urban Institute to do simulations of the effect of alternate pension rules.

There is no question that the federal statute governing private pension plans, the Employee Retirement Income Security Act (ERISA), 29 U.S.C. §1001 et.seq., is neutral on its face and that its provisions apply equally to women and men. Yet disproportionately fewer women than men receive pension incomes, and the amount of benefits they receive is substantially less than the amount of benefits received by men. The disparity in the treatment of men and women under the private pension system stems from the fact that the system is designed in accordance with traditional male career patterns. Women's work force participation does not

generally follow the pattern rewarded by a pension plan: full-time, long-term employment with one employer. An analysis of the factors necessary for receipt of a pension upon retirement shows why women are disfavored.

1. Coverage and Participation

A woman must work for an employer who provides pension benefits for his/her employees and must be among those employees who are included in the pension plan in order to receive a pension. Because our private pension system is voluntary, each individual employer determines whether or not to provide pensions and, to a certain extent, which employees will reap the benefits from pension coverage. Coverage therefore is the first obstacle women must overcome if they are to achieve pension equity. Simply put, if a woman is not covered by a pension plan, other pension issues are irrelevant to her.

Excluding federal and state government employees, who have the highest rate of pension coverage, those most likely to be covered by a pension work in larger companies and/or under a union contract. Coverage rates in 1988 ranged from 79 percent for companies with 100 or more employees to 17 percent for firms with fewer than 25 workers. Unionized workers have a coverage rate of 89%.[1] Unfortunately, most women do not work for large unionized companies. Women who work outside the home are more likely to be working for a small business, and/or in industries with low rates of pension coverage, such as the retail trade and personal service industries.[2] It is interesting to note that the coverage rates for all workers, no matter the size of the employer, have declined since 1979.

It is also interesting to note that, no matter the size of the company, a worker who earns more money is more likely to be covered under the pension plan. Eighty-three percent of those earning between $30,000 and $50,000 in 1988 were covered by an employer plan, while the coverage rate was only twenty-seven percent for those earning less than $5,000.[3] This factor also hurts women, who still earn less than men.

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1 Employee Benefit Research Institute, Issue Brief No. 94, Pension Coverage and Benefit Entitlement: New Findings From 1988, at 10, 14 (Sept. 1989).

2 9 To 5 National Association of Working Women, Social Insecurity: The Economic Marginalization of Older Workers (1987) at 67.

3 Employee Benefit Research Institute, Issue Brief No. 94, Pension Coverage and Benefit Entitlement: New Findings From 1988, at 13 (Sept. 1989).

The first task then is to encourage the expansion of pension coverage so that more women workers will have access to pension benefits in retirement. Congress has focused on ways to make pension plans more attractive to small business owners, thereby making benefits more available to small business employees. The options that have been considered, however, are problematic. Simplification of existing pension laws to encourage pension coverage may result in the formation of pension plans that would benefit primarily the more highly paid, may increase the number of years a woman needs to become vested under certain plans, and may decrease the amount of benefits she receives.[4] Similarly, the use of a special tax credit for small business owners to encourage plan formation works only for businesses that have taxable income against which to offset a tax credit. A better solution would be to expand the use of noncontributory employer-sponsored Simplified Employee Pensions (SEPs). These plans, available to small employers, allow employers to set up IRA-like accounts on behalf of their workers.

But coverage problems are not unique to small employers. Although the Tax Reform Act of 1986 required employers starting in 1989 to cover 70 percent of their workforce, large employers can and will use their size to avoid this requirement. They can use the rules concerning separate lines of business to provide pension coverage to workers in some lines of business but not in others. And, of course, they need cover only 70 percent of employees in the lines of business for which they do provide pension coverage. Closing this loophole would be a simple way of expanding pension coverage to more women workers. Employers should be required to cover in any one facility 100% of all workers who earn less than the Social Security wage base. If the employer has more than one facility, 80% of the total number of employees in all facilities whose wages fall below the wage base would have to be covered. This provision allows the employer to maintain flexibility in different

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4 Small business advocates contend that if Congress repealed the so-called "top-heavy rules", 26 U.S.C §416, more small businesses would establish pension plans. These rules, which provide for shorter vesting schedules and minimum benefits, were enacted to protect women and other low-paid workers in firms where 60% or more of pension benefits went to highly compensated workers and owners, with little or no pension benefits for the lower-paid. Preliminary research indicates that women are more likely to become vested and to receive larger benefits under the top-heavy rules. R.Schmidt, Congressional Research Service, Analysis of TEFRA's Minimum Benefit Rule on Women (1984); GAO, Pension Plans, Vesting Status of Participants in Selected Small Plans (1987); GAO, Impact of Vesting and Minimum Benefit and Contribution Rules in Top-Heavy Plans (1989).

facilities while still complying with nondiscrimination policies of current law.

Even if a woman is covered by the plan, she still may not receive a pension if she is not eligible to participate in the plan. Workers can be excluded from accruing benefits or contributions because they have not been at the job for one year, or because of the number of hours per year that they work. The exclusion from participation for working less than 1000 hours a year (half-time)[5] has a particularly invidious effect on women. Women, who account for nearly two-thirds of all part-time workers, often choose part-time work as a way to handle their care-giving obligations. Yet the many women who work regularly at jobs that are less than half-time (and therefore that do not meet the "year of service" requirement) have a lower rate of pension participation than other groups of workers.[6] These women would be helped by a reduction in the number of hours needed to participate to 500 hours. Such a change would enable them to receive credits towards vesting under their employers' pension plans.

Participation requirements pose particular problems for women who work in seasonal industries. The very nature of these industries precludes workers from meeting the 1,000 hour requirement. When ERISA was enacted, Congress made a specific provision in the participation, accrual and vesting rules for workers in seasonal industries who are unable to work 1,000 hours a year. It left to the Secretary of Labor to determine by regulation the definition of a year of service for any seasonal industry in which the customary period of employment is less than 1,000 hours.[7] Unfortunately, the Secretary of Labor has failed to promulgate regulations in compliance with the statute. As a result, many seasonal employers use ERISA's 1,000-hour requirement, making it virtually impossible for their seasonal employees to participate.

Our client, Pinkie Mae Burnem of Sanford, Florida, is a good example of the problem faced by seasonal workers. Ms. Burnem worked for her employer for between 45-46 years. She is 63, disabled, and relies on her $198.00 per month Social Security benefit as her only source of income. Ms. Burnem believed she would be entitled to retirement benefits based

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5 26 U.S.C. §410 (a)(3)(A); 29 U.S.C. §1052(a)(3)(A).

6 In May 1988, the coverage rate for those nonagricultural workers with 2,000 hours or more per year was 65%; the rate for those working 1,000 to 1,499 hours annually was 27%; and the rate for those working less than 500 hours annually was 27%. Employee Benefit Research Institute, Issue Brief No. 94, Pension Coverage and Benefit Entitlement: New Findings From 1988, (Sept. 1989) at 7.

7 29 U.S.C. §§1052(a)(3)(B), 1053(b)(2)(A), 1054(b)(3)(d).

on her long employment history and her knowledge that a retirement plan had been put into effect for hourly employees in January 1976. However, the plan required that an employee work 1,000 hours in any year in order to participate, and her employer claims that she did not work a sufficient number of hours for at least ten years after 1976 in order to vest in the plan. While Ms. Burnem worked 1,000 hours during several yeasrs after 1976, she did not and/or was not permitted to work 1,000 hours for enough years to vest.

Congress can assist workers like Ms. Burnem by strengthening ERISA. The statute must be clarified to require the Secretary of Labor to promulgate regulations that define a year of sevice in seasonal industries. Once regulations are issued, employers will not be able to avoid including seasonal workers in their pension plans by establishing participation, vesting and accrual requirements meant to apply to non-seasonal workers.

2. Vesting

One of the most significant recent pension reforms is the reduction in the number of years needed to vest in a pension plan. Congress recognized that many workers no longer devote their careers to one job. In fact, they do not stay long enough to have nonforfeitable benefits. In an effort to ensure that more workers become vested, Congress halved from ten to five years the vesting requirement for most participants, effective in 1989.

Yet the five year vesting schedule really does not go far enough. More than half of all workers surveyed in 1988 reported job tenures of less than five years.[8] Only about 25 percent of workers in small businesses remain even three years.[9] Finally, five year vesting is of no help to those women who are covered by multi-employer pension plans. The recent reduction in vesting is not applicable to those plans, which can still use a ten year vesting schedule. All in all, many women will not benefit from the recent vesting reform.

A further reduction in the vesting requirement to three years would increase the number of women who receive pension benefits. One of the simulations performed by the Urban Institute under our grant from the Rockefeller Foundation concerned the effect of a reduction in vesting to thre

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8 Employee Benefit Research Institute, Employee Benefit Notes, (Feb. 1990) at 5.

9 Small Business Administration, Early Jobs and Training: The Role of Small Business (1986) at 84.

years.[10] The simulation projected that if the minimum vesting requirement were reduced to three years, an additional 1.091 million women would have pensions in the year 2020. According to the DYNASIM projections, this simple change alone would cause almost as large an increase in the number of women who receive pensions in 2020 as all of the changes contained in the Tax Reform Act of 1986.[11]

A similar reduction in the minimum vesting requirements for multi-employer plans would make a difference for women covered under those plans as well.

3. Portability

Although all workers have accepted the increased job mobility prevalent in today's workforce, women are more likely to change jobs either voluntarily or involuntarily. Family responsibilities, low-paying, dead-end jobs, and sex-discrimination cause women to take and resign from jobs, and to enter and exit the workforce frequently. Involuntary job changes are caused by mergers and acquisitions, plant closures, layoffs and reductions-in-force.

The effects of job mobility are well documented. Since most pension plans are designed to provide the maximum benefit to a career employee who works right up to retirement age, workers who leave before that time receive disproportionately less. Even if a worker vests under four different pension plans after working for 10 years under each plan, she still will receive less than if she had worked for 40 years under the same pension plan. And if she receives a lump sum distribution of her accumulated pension benefits upon leaving one of those jobs, there is a good chance that she will spend the money she receives on current needs, thereby reducing even further her income at retirement.

Pension portability involves the carrying of pension credits or benefits from one job to another. In its most

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10 The Urban Institute's Dynamic Simulation of Income Model was used to project the effect of each change to the year 2020. The broad demographic and economic projection assumptions follow the Social Security Administration's II-B ("Middle-of-the-Road") path. The DYNASIM results show the effects on pension receipt and average pension benefits for men and women by age.

11 The model projects that 1.525 million more women will receive pensions in 2020 because of the Tax Reform Act of 1986. The model also projects a decrease in the average amount of benefits received under a three year vesting requirement. This is because women who receive benefits after only three years of service will receive less than women who work longer.

radical form, it involves the transfer of nonvested credits from one pension plan to the next so that a worker vests earlier and does not lose credits by changing jobs. The term "portability" is also used to denote methods of preserving for retirement lump sum distributions from pension plans given to workers who leave a job before retirement age.

The portability simulation performed by the Urban Institute assumes the most simple portability mechanism - requiring "portability" of pension benefits through an IRA type of savings vehicle. It projected that in the year 2020, retirees aged 62 - 64 would see their yearly pension benefit increased by $846 if a simple portability mechanism were available to them. The average increase for all ages would be $355. These amounts may not seem like a lot. But to my clients, whose income is at or below the poverty level, an additional $846 (or even an additional $355) may enable them to buy needed medicine they otherwise could not afford. Variations would be greater if more sophisticated portability mechanism were in place.

The establishment of simple portable pension plans which allow for trustee-to-trustee transfers of benefits is one place to start. All participants in a plan should be given the option of transferring funds or leaving them in the employer's account. There should be an excise tax of 100% on lump sum withdrawals made before retirement age to encourage saving the money for retirement. Joint and survivorship provisions should be included so that family retirement income is protected.

A simple portable pension plan does not correct all problems caused by job mobility, however. Some of the loss in pension benefits is caused simply by inflation. A woman who leaves a job at age 45 to care for an elderly relative will have a pension at age 65 based on wages that were earned 20 years earlier. Her deferred pension benefits would not lose as much of their value if the plan used a form of "performance indexing." In other words, the plan should be required to adjust her deferred vested pension upward in those years when the plan's rate of return on investments is better than the rate assumed at the time she left her job. The worker's pension should benefit from the better than anticipated investment performance, not the employer. Index bonds whose rate of return equals the inflation rate plus specific real interest rate could be used to finance this type of inflation-protection.

Current discussions concerning portability have focused on the need to preserve lump sum distributions for retirement. Policy makers have shied away from discussions of the portability of deferred vested and nonvested pension credits, primarily because of the difficulties inherent in

devising a system that would encompass those concepts. While women would certainly benefit from any provision which encourages the saving of income for retirement, low paid women workers are in great need of a portability system which will allow them to carry all of their credits and benefits from job to job so that they receive a larger benefit from one plan when they retire. We ask that you commission a portability study that focuses on the harder issues, including the transfer of credits and indexing of benefits, in order to resume the discussion on how to augment deferred vested benefits for women who leave a job before retirement age.

4. Amount of Benefits and Integration

The amount of benefits received upon retirement depends on the formula specified under the pension plan. Most formulas are based on salary earned, and all are weighted towards long-term employees. The combination of these factors results in women retirees receiving smaller pension benefits than their male counterparts.[12] Women's benefits also are smaller because many women currently receive pensions as the surviving spouse of a worker husband, and survivor's benefits tend to be only one-half of the benefit received during the lifetime of the worker spouse.

Women also receive lower benefits because of a practice known as integration. Integration involves the reduction of pension benefits by a portion of the worker's Social Security benefits through a method set forth in the pension plan. It is premised on the theory that the replacement rate of income (the percentage of pre-retirement income the worker can expect in retirement) that is provided by Social Security to lower-paid workers is greater than that afforded to the higher paid. Therefore, the employer integrates Social Security and pension benefits in order to provide the same rate of replacement of pre-retirement income to all of its workers. In reality, integration is a way in which employers can avoid paying some or all of a low-paid worker's pension benefit, even though the worker is vested, while at the same time providing a large pension for the more highly paid workers.

Before the Tax Reform Act of 1986, employers had several integration options. They could directly reduce a pension by the worker's Social Security benefit; they could provide benefits only to workers earning more than a certain amount, often the Social Security taxable wage base; or they could pay a greater benefit to workers with income over the

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12 The mean monthly pension benefit in 1984 was $670 for men and $370 for women. Bureau of the Census, U.S. Depart. of Commerce, Pensions: Worker coverage and Retirement Income, 1984 (1987) at 2.

integration level. All of these practices hurt lower paid women workers, who often found themselves without a benefit despite being covered and vested under the plan. In simple terms, the Tax Reform Act eliminated the more egregious integration methods, and precluded any form of integration that would result in the worker losing more than half of her pension benefits.

Despite the reforms already made in integration, additional changes are needed if women's pension benefit levels are to become meaningful. Because the Tax Reform Act provisions apply only to benefits which accrue after 1988, different rules will be applied to the same employee for work before and after 1989. A worker who retires this year may find herself with only one year of pension benefits, her benefits for the years before 1989 having been "integrated out" under the old benefit formula. As the law currently exists, it will be years before many women are actually helped by the changes in integration policy. Many women would be helped immediately if the Tax Reform Act modifications were made retroactive for all employees who have one hour of service after December 31, 1988.

But even if the new integration provisions are made retroactive and apply to all years that a woman works under a pension plan, her pension can still be reduced by as much as 50 percent. The basic inequities caused by integration remain. A low-paid woman worker who lacks the additional savings and other resources to supplement her Social Security in retirement will only get a portion of the benefit for which she worked, while a higher-paid worker with more resources will get a disproportionately larger benefit. Though Social Security may replace more of a low-paid woman worker's pre-retirement income, she needs more of her income to meet her basic needs in retirement.

The best way, then, to assure that a woman worker receives an adequate amount of pension benefits is to prohibit any integration.

The pension status of women has a direct bearing on their economic well-being in retirement. More needs to be done to ensure that women receive benefits and that the amount of these benefits is meaningful. Changes need to be made to reflect the job patterns of women. Increasing the number of women who are covered under a pension plan, easing the participation requirements to include more part-time workers and further reducing the number of years needed to vest would enable more women workers to receive benefits. Eliminating the integration of pension and Social Security benefits, devising a pension portability system, and protecting deferred vested benefits against inflation would give greater benefits to those women who are lucky enough to receive them.

SIMULATION OF THE EFFECTS OF ALTERNATIVE PENSION RULES

THE URBAN INSTITUTE - JUNE 28, 1988

SIMULATION OF THE EFFECTS OF ALTERNATIVE PENSION RULES

The attached tables show the long-range effects of several changes in the private pension system. These changes are:

1. The 5-year vesting and minimum benefit rules included in the Tax Reform Act of 1986.

2. Requiring plan participation for workers with at least 500 hours of work per year.

3. Reducing the maximum vesting requirement to 3 years.

4. Requiring "portability" of pension credits through an IRA type of savings vehicle.

Each option was simulated prospectively — each rule became effective after 1988. The Urban Institute's Dynamic Simulation of Income Model was used to project the effect of each change to the year 2020. The broad demographic and economic projection assumptions follow the Social Security Administration's II-B ("Middle-of-the-Road") path. The DYNASIM results show the effects on pension receipt and average pension benefits for men and women by age.

1. Effect of the Tax Reform Act of 1986

WOMEN WITH PRIVATE PENSIONS

RECIPIENTS IN 2000
(MILLIONS)

Women: Age	(1) Pre-1986 Tax Act	(2) Post-1986 Tax Act	(3) Change: Col. 1 - Col. 2
62-64	.947	1.044	+.097
65-69	1.565	1.727	+.162
70-74	1.545	1.598	+.053
75+	2.399	2.403	+.004
Total	6.456	6.771	+.315

RECIPIENTS IN 2020
(MILLIONS)

Women: Age	(1) Pre-1986 Tax Act	(2) Post-1986 Tax Act	(3) Change: Col. 1 - Col. 2
62-64	2.949	3.236	+.287
65-69	4.631	5.115	+.484
70-74	3.948	4.290	+.342
75+	6.123	6.535	+.412
Total	17.651	19.176	+1.525

SOURCE: Projections from The Urban Institute's Dynamic Simulation of Income Model.

1. Effect of the Tax Reform Act of 1986

WOMEN WITH PRIVATE PENSIONS

AVERAGE BENEFITS IN 2000[1]
(1987 Dollars)

Women: Age	(1) Pre-1986 Tax Act	(2) Post-1986 Tax Act	(3) Change: Col. 1 - Col. 2
62-64	$1,488	$1,427	- $62
65-69	1,466	1,417	- 48
70-74	1,305	1,293	- 12
75+	699	700	- 1
Total	$1,146	$1,135	- 11

AVERAGE BENEFITS IN 2020
(1987 Dollars)

Women: Age	(1) Pre-1986 Tax Act	(2) Post-1986 Tax Act	(3) Change: Col. 1 Col. 2
62-64	$2,896	$2,764	- $132
65-69	2,599	2,461	- 138
70-74	1,997	1,929	- 69
75+	1,142	1,117	- 25
Total	$2,009	$1,935	- 74

SOURCE: DYNASIM Projections using The Social Security Administration's II-B assumptions.
Note: 1. Includes both worker and survivor benefits.

2. Participation required for workers with 500 hours of work or more per year.

NUMBER OF WOMEN WITH A PENSION BENEFIT IN 2020
(NUMBERS IN MILLIONS)

Women: Age	(1) Post-1986 Tax Act	(2) Participation at 500 Hours	(3) Change: Col. 1 - Col. 2
62-64	3.236	3.265	+.029
65-69	5.115	5.182	+.067
70-74	4.290	4.331	+.041
75+	6.535	6.589	+.054
Total	19.176	19.367	+.191

AVERAGE PENSION BENEFIT (1987 Dollars)

Women: Age	(1) Post-1986 Tax Act	(2) Participation at 500 Hours	(3) Change: Col. 1 - Col. 2
62-64	$2,764	$2,759	$ 5
65-69	2,461	2,443	- 18
70-74	1,929	1,933	+ 4
75+	1,117	1,104	- 13
Total	$1,935	$1,928	-$ 7

SOURCE: Projections from The Urban Institute's Dynamic Simulation of Income Model.

3. Reducing the Minimum Vesting Requirement to 3 Years

WOMEN WITH PRIVATE PENSIONS

RECIPIENTS IN 2000
(MILLIONS)

Women: Age	(1) Post-1986 Tax Act	(2) 3-Year Vesting	(3) Change: Col. 1 - Col. 2
62-64	1.044	1.104	+.060
65-69	1.727	1.796	+.069
70-74	1.598	1.618	+.020
75+	2.403	2.407	+.004
Total	6.771	6.925	+.154

RECIPIENTS IN 2020
(MILLIONS)

Women: Age	(1) Post-1986 Tax Act	(2) 3-Year Vesting	(3) Change: Col. 1 - Col. 2
62-64	3.236	3.407	+.171
65-69	5.115	5.473	+.358
70-74	4.290	4.523	+.233
75+	6.535	6.864	+.329
Total	19.176	20.267	+1.091

SOURCE: Projections from The Urban Institute's Dynamic Simulation of Income Model.

3. 3-Year Vesting

WOMEN WITH PRIVATE PENSIONS

AVERAGE BENEFITS IN 2000[1]
(1987 Dollars)

Women: Age	(1) Post-1986 Tax Act	(2) 3-Year Vesting	(3) Change: Col. 1 - Col. 2
62-64	$1,427	$1,384	- $43
65-69	$1,417	$1,379	- 39
70-74	$1,293	$1,287	- 6
75+	$ 700	$ 705	+ 5
Total	$1,135	$1,124	- 11

AVERAGE BENEFITS IN 2020
(1987 Dollars)

Women: Age	(1) Post-1986 Tax Act	(2) 3-Year Vesting	(3) Change: Col. 1 - Col. 2
62-64	$2,764	$2,659	- $104
65-69	2,461	$2,344	- 117
70-74	1,929	$1,851	- 77
75+	1,117	$1,078	- 38
Total	$1,935	$1,858	- 76

SOURCE: DYNASIM Projections using The Social Security Administration's II-B assumptions.
Note: 1. Includes both worker and survivor benefits.

4. Requiring Portability of Pension Credits

WOMEN WITH PRIVATE PENSIONS

RECIPIENTS IN 2000
(MILLIONS)

Women: Age	(1) Post-1986 Tax Act	Portability	(3) Change: Col. 1 - Col. 2
62-64	1.044	1.044	+.000
65-69	1.727	1.727	+.000
70-74	1.598	1.598	+.000
75+	2.403	2.403	+.000
Total	6.771	6.771	.000

RECIPIENTS IN 2020
(MILLIONS)

Women: Age	(1) Post-1986 Tax Act	(2) Portability	(3) Change: Col. 1 - Col. 2
62-64	3.236	3.245	+.009
65-69	5.115	5.135	+.020
70-74	4.290	4.290	.000
75+	6.535	6.543	+.008
Total	19.176	19.213	+.037

SOURCE: Projections from The Urban Institute's Dynamic Simulation of Income Model.

4. Portability

WOMEN WITH PRIVATE PENSIONS

AVERAGE BENEFITS IN 2000[1]
(1987 Dollars)

Women: Age	(1) Post-1986 Tax Act	(2) Portability	(3) Change: Col. 1 - Col. 2
62-64	$1,427	$1,565	+$138
65-69	1,417	1,466	+ 49
70-74	1,293	1,303	+ 10
75+	700	700	0
Total	$1,135	$1,171	+ 36

AVERAGE BENEFITS IN 2020
(1987 Dollars)

Women: Age	(1) Post-1986 Tax Act	(2) Portability	(3) Change: Col. 1 - Col. 2
62-64	$2,764	$3,609	+ $846
65-69	2,461	2,900	+ 440
70-74	1,929	2,225	+ 297
75+	1,117	1,199	+ 82
Total	$1,935	$2,289	+ 355

SOURCE: DYNASIM Projections using The Social Security Administration's II-B assumptions.
Note: 1. Includes both worker and survivor benefits.

ADDENDUM

DETAILED TABLES INCLUDING RESULTS FOR MEN

Table 1

Private Pensions in the Year 2000
Under Alternative Vesting and Portability Assumption

	Age	(1) Pre-1986 Tax-Act	(2) Post-1986 Tax Act: New Vesting & Integration Rules After 1988	(3) Change: Col. 2- Col. 1	(4) "3 Year Vesting" Rules with Post 1986 Tax Act Rules After 1988	(5) Change: Col. 4- Col. 3	(6) Pension Portability with Post-1986 Tax Act Rules After 1988	(7) Change: Col. 6- Col. 3
				Total Pension Recipients (Millions)				
Males	62-64	1.298	1.371	(+ .073)	1.420	(+ .049)	1.375	(+ .004)
	65-69	2.370	2.439	(+ .069)	2.471	(+ .032)	2.439	(0.000)
	70-74	2.027	2.075	(+ .048)	2.091	(+ .016)	2.075	(0.000)
	75+	2.953	2.953	(0.000)	2.957	(+ .004)	2.953	(0.000)
	All	8.648	8.838	(+ .190)	8.939	(+ .101)	8.842	(+ .004)
Females	62-64	0.947	1.044	(+ .097)	1.104	(+ .060)	1.044	(0.000)
	65-69	1.565	1.727	(+ .162)	1.796	(+ .069)	1.727	(0.000)
	70-74	1.545	1.598	(+ .053)	1.618	(+ .020)	1.598	(0.000)
	75+	2.399	2.403	(+ .004)	2.407	(+ .004)	2.403	(0.000)
	All	6.456	6.771	(+ .315)	6.925	(+ .154)	6.771	(0.000)
				Average Pension Benefits (1987 $)				
Males	62-64	$4,005	$3,941	(-$63)	$3,876	(-$65)	$4,326	(+$384)
	65-69	4,004	3,981	(- 22)	3,950	(- 31)	4,187	(+ 206)
	70-74	3,372	3,325	(- 47)	3,310	(- 15)	3,454	(+ 88)
	75+	1,740	1,742	(+ 2)	1,742	(0)	1,742	(0)
	All	3,083	3,073	(- 10)	3,063	(- 10)	3,196	(+ 124)
Females	62-64	1,488	1,427	(- 62)	1,384	(- 43)	1,565	(+ 138)
	65-69	1,466	1,417	(- 48)	1,379	(- 39)	1,466	(+ 49)
	70-74	1,305	1,293	(- 12)	1,287	(- 6)	1,303	(+ 10)
	75+	699	700	(- 1)	705	(+ 5)	700	(0)
	All	1,146	1,135	(- 11)	1,124	(- 11)	1,171	(+ 36)

SOURCE: DYNASIM Projections using Social Security Administration's II-B assumptions.

(May 1988)

Table 2

Private Pensions in the Year 2020
Under Alternative Vesting and Portability Assumption

	Age	(1) Pre-1986 Tax-Act	(2) Post-1986 Tax Act: New Vesting & Integration Rules After 1988	(3) Change: Col. 2- Col. 1	(4) "3 Year Vesting" Rules & 1986 Tax Reform Act's New Integration Rules After 1988	(5) Change: Col. 4- Col. 2	(6) Pension Portability with Post-1986 Tax Act Rules After 1988	(7) Change: Col. 6- Col. 2
				Total Pension Recipients (Millions)				
Males	62-64	3.486	3.665	(+ .179)	3.753	(+ .088)	3.669	(+ .004)
	65-69	4.902	5.090	(+ .188)	5.190	(+ .100)	5.098	(+ .008)
	70-74	4.065	4.161	(+ .096)	4.240	(+ .079)	4.161	(0.000)
	75+	5.544	5.664	(+ .120)	5.731	(+ .067)	5.669	(+ .005)
	All	17.997	18.580	(+ .583)	18.913	(+ .333)	18.597	(+ .017)
Females	62-64	2.949	3.236	(+ .287)	3.407	(+ .171)	3.245	(+ .009)
	65-69	4.631	5.115	(+ .484)	5.4[illegible]	(+ .358)	5.135	(+ .020)
	70-74	3.948	4.290	(+ .342)	4.523	(+ .233)	4.290	(0.000)
	75+	6.123	6.535	(+ .412)	6.864	(+ .329)	6.543	(+ .008)
	All	17.651	19.176	(+1.525)	20.267	(+1.091)	19.213	(+ .037)
				Average Pension Benefits (1987 $)				
Males	62-64	$7,218	$7,050	(-$168)	$6,932	(-$119)	$8,990	(+$1,940)
	65-69	6,556	6,462	(- 94)	6,387	(- 75)	7,667	(+ 1,205)
	70-74	5,217	5,229	(+ 12)	5,167	(62)	6,05[illegible]	(+ 838)
	75+	3,389	3,373	(- 16)	3,356	(- 17)	3,626	(+ 254)
	All	5,406	5,360	(- 46)	5,303	(- 57)	6,336	(+ 976)
Females	62-64	2,896	2,764	(- 132)	2,659	(- 104)	3,609	(+ 846)
	65-69	2,599	2,461	(- 138)	2,344	(- 117)	2,900	(+ 440)
	70-74	1,997	1,929	(- 69)	1,851	(- 77)	2,225	(+ 297)
	75+	1,142	1,117	(- 25)	1,078	(- 38)	1,199	(+ 82)
	All	2,009	1,935	(- 74)	1,858	(- 76)	2.289	(+ 355)

SOURCE: DYNASIM Projections using Social Security Administration's II-B assumptions.

Mr. HUGHES. Thank you very much, Ms. Gottlich. Ms. Moss, welcome.

STATEMENT OF ANNE MOSS

Ms. MOSS. Thank you. The Pension Rights Center is a nonprofit group that's been working for 14 years to make the Nation's pension programs fairer and more responsive to the needs of workers and retirees.

I'll talk mainly today about how private pension policies affect women's access to pensions. Women need pensions because Social Security is not enough to live on and women usually don't save enough to supplement Social Security. A worker has got to have something else to live on and an adequate pension could make all the difference. Women still don't get adequate pensions, though, and there are a lot of reasons why they don't. The two reasons I'll focus on today are: women are less likely to be members of pension plans and women are less likely to vest under their plans.

There have been a lot of pension reforms benefiting women in the last 8 years and women are definitely better off than they used to be, but there are still gaps in the system. One place where those gaps are is in our coverage rules. Only one-third of women working in the private sector are covered by pension plans. They are not covered either because their employer has no plan or because their employer has a plan and leaves out some workers.

There is no law that requires an employer to cover every worker under a pension plan. A plan may exclude people who do not work 1,000 hours a year, which makes it easy to leave out part-time workers. Workers covered by a union contract may be excluded, and there are lots of other ways to leave people out.

These exclusions can be very unfair to women, who are most often the ones left out. One woman who contacted us—we'll call her "Mrs. G" because she doesn't want her named used—worked 52 years as a bookkeeper for an upstate New York glove company. She was the only nonunion, nonmanagement employee and the only employee not covered by a pension plan. The company owners had repeatedly promised that they would provide for her but, in fact, no money was ever set aside for her and then the owners died. This woman has been left without any benefits. She is in her seventies and lives just on Social Security.

One way to exclude workers is by job category, such as, "no one employed by this company as a secretary is included in the plan." It is also possible to exclude specific employees by name. This, fortunately, is a rare occurrence, but we have seen it happen when a company sets up a new plan structured to pay much larger benefits to older, longer service employees—namely the owner—in order to pay large benefits to himself. The company owner would have to also pay a substantial amount to a particular woman, so he leaves her out by name.

Congress did act to limit coverage exclusions as part of the Tax Reform Act of 1986, but it is still possible for employers to arbitrarily exclude 30 percent, and sometimes more, of their employees from a pension plan for any reason at all. While there may be a justification for having different coverage schemes for workers in a

company with many different types of businesses, no one has been able to give us any legitimate reasons for allowing companies to exclude workers from a plan covering a single line of business. So, we propose that plans be required to include 100 percent of workers in a single line of business.

Being covered by a plan, though, is only a first step toward earning the right to a pension. The next thing a worker has to do is vest under her pension plan and the problem is that women do not vest to the extent that men do. Women are forced to change jobs because of family responsibilities, sex discrimination, and dead-end jobs.

ERISA, the Federal pension law, originally allowed plans to require 10 years of work before a worker could vest. There have been a number of improvements in the 10-year vesting law, the most important being the Tax Reform Act of 1986, which went into effect last year. It made a big improvement when it required all single-employer plans to start letting workers vest after 5 years of service rather than 10. But 5-year vesting still does not apply to multi-employer plans—that is, union negotiated plans to which more than one employer contributes. These are the plans which most often cover workers in construction, mining, manufacturing, transportation, and the hotel, restaurant, and food industries. About one-half of workers in these plans don't have the 10 years they need to vest.

The experience of one woman who contacted us—we'll call her "Emily M." of Michigan—is typical. She worked as a grocery store clerk for 9.5 years, almost enough to vest under her multi-employer pension plan. But, at about that time, the owner decided to hire a large contingent of part-time employees, who then voted out the union. So, in this case, Emily didn't leave her plan; the plan left her and so did her chance to vest.

Ten-year vesting in multi-employer plans is especially unfair for the many women now moving into nontraditional jobs. They are finding it very difficult to stay under one plan for 10 years. We have compiled some statistics on the multi-employer vesting problem and I wanted to ask if we might submit that factsheet as part of the record.

Mr. HUGHES. Without objection.

Ms. MOSS. And so we're proposing that 5-year vesting be extended to multi-employer plans. We're pleased that Secretary of Labor Dole has made the same recommendation and the Labor Department estimates that at least 1.1 million additional workers would be able to vest immediately if this change were made. That is, that's the number of workers in multi-employer plans who now have between 5 and 10 years.

Finally, the tax breaks to employers who set up pension plans will cost taxpayers over $52 billion in lost tax revenue in 1990. This tremendous expense to support the private pension system can only be justified if it, in fact, delivers benefits to the workers who are least able to save for themselves, namely women. That ends my statement. Thank you for letting us testify.

[The prepared statement along with supplemental material submitted by Ms. Moss follows:]

PENSION RIGHTS CENTER

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STATEMENT

OF THE

PENSION RIGHTS CENTER

BEFORE THE

SUBCOMMITTEE ON RETIREMENT INCOME AND EMPLOYMENT

HOUSE SELECT COMMITTEE ON AGING

* * *

How Retirement Income Policies Affect Older Women

May 22, 1990

SUMMARY

WOMEN WILL CONTINUE TO RETIRE TO POVERTY AS LONG AS THEY ARE DENIED ACCESS TO PENSIONS

I. Women are more likely than men to be excluded from pension plans.

Recommendation: Plans should be required to cover 100 percent of employees within a "single line of business."

II. Women are less likely than men to vest under their pension plans.

Recommendation: Five-year vesting should be extended to "multiemployer plans."

Mr. Chairman, Members of the Subcommittee, I am Anne Moss, Director of the Women's Pension Project of the Pension Rights Center. The Center is a nonprofit organization that has been working for the past fourteen years to make the nation's pension programs fairer and more responsive to the needs of workers and retirees.

We thank you for inviting us to testify on how retirement income policies affect older women. I will limit my testimony this morning to private pension policies affecting working women's access to pensions, since other witnesses are addressing issues relating to the adequacy of women's pensions.

Why Women Need Pensions.

Women need much more than social security benefits when they retire. Social security benefits for retired women workers are now averaging less than $6,000 a year, a near-poverty level income. Unfortunately, few women have income from savings to supplement social security. According to a recent study half of all newly retired social security recipients have accumulated less than $9819 in financial assets (other than a home). Women must have something more to live on in retirement. Providing that "something more" is the role that can only be played by pensions.

Why Women Don't Receive Pensions.

Only 13.6 percent of women, 65 and over, collect private pensions, compared to 32 percent of men. And when they do get pensions, women's benefits average only $3352 a year; men receive $5727. There are many reasons why so few women collect decent pensions, but two important ones are: (1) Women are less likely to be members of pension plans, and (2) plans frequently have unreasonable "vesting" rules, that is, length-of-service requirements for pension eligibility that women workers cannot meet.

In the last eight years, we have seen much pension reform on behalf of women workers through the enactment of laws that strengthen ERISA and the tax code. These changes represent dramatic improvement in pension law that should result in more and better pensions for millions of working women for years to come. But even those protections leave gaps in the law through which many women still lose out.

Coverage Rules Are Inadequate.

Women are excluded from pension plans either because their companies have plans that leave them out or because their employers have no plans. In 1988, only 35 percent of women working in the private sector were included in employer-sponsored plans, compared to 46 percent of men. The women most likely to be excluded from plans are low-income and minority women.

If a company chooses to set up a pension plan, no law

requires the plan to cover every worker. In fact, the law specifically allows plans to exclude workers who are not yet age 21 and who do not work at least 1000 hours a year. The 1000-hour rule is one that makes it easy to leave out part-time workers. For example, a department store might schedule employees to work 19 hours a week, rather than the 20 hours a week that would add up to 1000 hours at year-end.

The plan may also automatically exclude workers covered by a collective bargaining agreement, where retirement benefits were a subject of good-faith bargaining. Of course, being represented by a union is no guarantee that workers will be covered. We sometimes see situations in which the union has been unable to negotiate a plan.

But even the remaining employees, that is, those who are over 21, working 1000 hours a year, and not covered by a union contract, can still be left out of their employer's plan. This can be cruelly unfair to women, who are most often the ones excluded. Mrs. G., for example, worked 52 years as a bookkeeper for an upstate New York glove company. She was the only non-union, non-management employee -- and the only employee not covered by a pension plan. The company owners had repeatedly promised that they would provide for her, but they died, and she has been left without any benefits.

There are many ways that workers can be left out of plans. Most often, plans exclude workers by job category, such as "anyone employed by this company as a secretary." Another

exclusion method is to leave out workers by conditioning plan participation on the requirement that employees first put their own money into the plan, a practice adopted by certain private hospitals employing large numbers of lower-paid workers. It is also possible to exclude specific employees by name. Although this, fortunately, is rare, it does happen, particularly where a small company sets up a new plan structured to pay disproportionately large benefits to older, longer service employees. In order to pay large benefits to himself, the company owner would have to also pay a substantial amount to a particular woman, so he leaves her out -- by name.

Sometimes employers "persuade" employees to agree to be left out of a plan. For example, Donna J. of Arizona, was on the job for 17 years as a dental hygienist. The dentist had a pension plan that included himself and all the other office employees, but he told Donna that because she had worked such a long time, he couldn't afford to include her, too. Fearing that she would lose her job if she didn't agree to this arrangement, Donna agreed to sign a waiver that left her out of the plan.

While Congress acted to limit coverage exclusions as part of the Tax Reform Act of 1986, it is still possible for employers arbitrarily to exclude 30 percent of their employees from a pension plan for any reason at all -- and a great many more than that if the non-excluded workers represent a "reasonable classification" of employees (as defined by extremely complex Internal Revenue Service rules.)

While there may be a justification for having different

plans for different types of workers in a company with many lines of business, no one has been able to provide us with any legitimate reasons for permitting companies to exclude workers from a plan in a single line of business. As one pension lawyer told us, it just saves his clients lots of money.

As long as plans are allowed to arbitrarily exclude workers, women will tend to be the losers. These exclusions have persisted because, historically, the laws were aimed at avoidance of tax abuse rather than worker protection. The principal concern of the coverage rules has been to make sure that plans do not unduly favor higher-paid company officers and owners.

Pension law would be much simpler and more effective if the coverage rules were expanded to include all workers in a "single line of business." There is no justification that we know of for plans to arbitrarily exclude categories of workers.

RECOMMENDATION

- **Plans should be required to include 100 percent of workers in a single line of business.**

This proposal has been included as Section 3 of the Pension Reform Act of 1989, introduced by Congresswoman Barbara Kennelly.

Vesting Problems

Mobility is an accepted feature of today's workforce. Whether voluntarily or involuntarily, a worker is likely to have many jobs before reaching retirement age. Half of all women have been on their current job less than 3.7 years; for men the figure is 5.1 years. Women are often caught in the job-changing bind

because of family responsibilities, sex discrimination and dead-end jobs. Moreover, women as well as men are part of a workforce in flux: companies are being bought, sold, and merged. Plants are being closed. More than ever before, workers are subject to layoffs, reductions-in-force, and economic recessions.

One problem with job-changing is that a worker may lose all her benefits if she does not stay on the job long enough to earn the right to receive a pension at retirement age, that is, "vest."

ERISA originally allowed plans to require ten years of work before a worker could vest. Although ten-year vesting was a major reform, many workers were still not able to earn pensions. Congress has made some improvements since ERISA.

Starting in 1984, many small companies have been subject to three-year vesting through the Tax Equity & Fiscal Responsibility Act of 1982 (TEFRA). TEFRA has helped millions of secretaries, paralegals, dental technicians, and nurses get benefits. The Retirement Equity Act of 1984 made vesting easier for workers who took time off from a job to have children or who had other "breaks in service."

The Tax Reform Act of 1986 made a tremendous improvement when it required all single-employer plans to start letting workers vest after five years of service, rather than ten. However, five-year vesting still does not apply to multiemployer plans, union-negotiated plans to which more than one employer contributes. These plans most often cover workers in mining, manufacturing, transportation, and the hotel, restaurant, and

food industries. The most significant number of employees covered by these plans -- 40 percent -- work in the construction industry.

Close to one-half of workers in multiemployer plans do not have the ten years they need to vest. The experience of Emily M. of Michigan is typical. She worked as a grocery store clerk for 9 1/2 years, almost enough to vest under her multiemployer pension plan. About that time, the owner decided to hire a large number of part-time employees, who then voted out the union. Emily's pension coverage ended, and so did her chance to vest.

Ten-year vesting in multiemployer plans is particularly inequitable for the many women now moving into nontraditional jobs. They are finding it extremely difficult to stay under one plan for ten years.

RECOMMENDATION

- **Five-year vesting should be extended to multiemployer plans.**

We are pleased that Secretary of Labor Elizabeth Dole has made the same recommendation. The Labor Department estimates that at least 1.1 million additional workers would be able to vest immediately under this reform: That is a number about equal to the population of Detroit. This reform is also contained in the Pension Reform Act, as well as in H.R.2893, introduced by Congressman Barney Frank.

Conclusion.

The nation's $2 trillion private pension system is the only available prescription for poverty prevention. The problem is that, as now structured, pension plans cannot meet the needs of most women.

The tax breaks to employers who set up pension plan will cost taxpayers over $52 billion in lost tax revenue in 1990. The expense to support this massive retirement system can only be justified if it in fact delivers benefits to the workers who are least able to save for themselves, and who are typically women.

As Congresswoman Patricia Schroeder has noted, the discrimination that women experience throughout their lives "strikes its cruelest blow at the end." Women will continue to retire to poverty if they are denied access to pensions.

VESTING IN MULTIEMPLOYER PLANS

Millions of workers in private pension plans can now earn the right to pensions after working 5 years. But "multiemployer" pension plans are exempted from the new 5-year "vesting" rule.

As part of the Tax Reform Act of 1986, Congress provided that workers in most "single employer" pension plans have to work only 5 years to earn the right to receive a pension at retirement age. The 5-year vesting rule started to go into effect for these plans last year. "Multiemployer" plans were left under the old 10-year vesting rule.

Multiemployer pension plans are those where more than one company pays into a plan under a contract with a union. As long as workers are in jobs covered by the plan, they get pension credits. **But unless they work 10 years for companies paying into the plan, they forfeit all of their pension credits and receive no benefits from the plan.**

Multiemployer plans are common in industries where there are large numbers of small employers. The pensions paid by these plans are typically a "defined benefit" based on a set dollar amount or percentage of earnings for each year worked.

The effect of the 10-year vesting rule on workers in multiemployer plans can be seen from the following statistics.

- **2 out of 10 workers covered by defined benefit plans are in multiemployer plans, more than 5 million workers.**
- **4 out of 10 of these workers are in the construction industry. 3 out of 10 are in manufacturing and transportation. The remainder work in jobs in mining, retail, service, printing, hotel and restaurant and food industries.**
- **Close to one-half of these workers do not have the 10 years they need to vest in their pension plans.**
- **Of those that have not worked 10 years, approximately 6 out of 10 workers have fewer than 5 years; 4 out of 10 have worked 5 to 9 years.**

A change to 5-year vesting would give 1.1 million workers in multiemployer plans the right to receive pensions at retirement age.

Pension Rights Center

918 16th Street N.W. Washington, D.C. 20016 202-296-3776

Table 4.10. Vesting status of active participants in private pension plans with 100 or more participants by type of coverage and type of plan, 1986 1/

(Thousands)

Vesting status	Total plans			Single employer plans2/			Multiemployer plans3/		
	Total	Defined benefit	Defined contribution	Total	Defined benefit	Defined contribution	Total	Defined benefit	Defined contribution
Total plans	55,875	26,929	28,945	49,315	21,533	27,782	6,560	5,397	1,163
Fully vested	31,568	11,781	19,787	28,249	9,421	18,828	3,319	2,360	960
Partially vested	6,682	1,462	5,220	6,495	1,296	5,199	187	166	21
Nonvested	16,262	13,120	3,142	13,520	10,490	3,029	2,742	2,630	112
Primary plans	34,847	26,804	8,043	28,500	21,411	7,088	6,348	5,393	955
Fully vested	15,924	11,723	4,201	12,768	9,365	3,403	3,156	2,358	798
Partially vested	3,459	1,457	2,003	3,276	1,291	1,986	183	166	17
Nonvested	14,458	13,065	1,393	11,752	10,436	1,316	2,706	2,629	77
Supplemental plan #1	15,290	126	15,164	15,094	121	14,972	196	4	192
Fully vested	11,904	58	11,846	11,757	56	11,701	147	2	145
Partially vested	1,950	6	1,945	1,946	5	1,941	4	(4)	4
Nonvested	1,208	56	1,152	1,171	55	1,116	37	1	36
Supplemental plan #2	5,738	-	5,738	5,721	-	5,721	16	-	16
Fully vested	3,740	-	3,740	3,723	-	3,723	16	-	16
Partially vested	1,272	-	1,272	1,272	-	1,272	0	-	0
Nonvested	597	-	597	597	-	597	0	-	0

1/ Active participants include any workers currently in employment covered by a plan and who are earning or retaining credited service under a plan. Active participants also include any nonvested former employees who have not yet incurred breaks in service.

2/ Includes single employer plans, plans of controlled groups of corporations and multiple-employer noncollectively bargained plans.

3/ Includes multiemployer plans and multiple-employer collectively bargained plans.

4/ Less than 1,000.

NOTE: The number of vested active participants does not add up to total active participants because complete data on vested status was not provided by all plans.

SOURCE: 1986 Form 5500 series reports filed with the Internal Revenue Service.

CAN YOU COUNT ON GETTING A PENSION?

New
Pension Vesting
Rules

PENSION
RIGHTS
CENTER

Many workers can now earn a pension in five years as a result of changes in federal law.

Once you earn the right to a pension, you will not lose your benefits if you quit your job, are fired, leave for other reasons, or if your company is bought or sold.

These new faster "vesting" rules apply to company pension plans where one employer pays into the plan.

For additional copies of this booklet, send $3.00 and a self-addressed business size envelope for each copy to Pension Publications, 918 - 16th St., N.W., Suite 704, Washington, D.C. 20006.

Do the new vesting rules apply to your plan?

The new rules help workers covered by private "single-employer" pension plans.

These multiemployer plans, such as plans for carpenters, truck drivers and miners, can still require you to work ten years for companies paying into the plan.

The new vesting rules will also not apply to you if:

for example, a public school teacher or police officer. Rules for government plans are set by state or local governments, not by federal law.

or

religious school, hospital or other institution. Plans of religious organizations can set their own vesting rules.

without any payments by companies.

Needless to say, these new vesting rules will not help you if you do not work under a pension plan. Companies are not required to set up pension plans, and companies with plans can leave out certain workers.

How many years do you need to work to earn a pension?

Most companies can choose between two rules for earning a pension:

You earn the right to a pension after working five years for the company but you earn nothing if you work fewer than five years.

OR

You earn a small percentage of your pension after you work three years, a gradually increasing share in the fourth, fifth and sixth years, and 100% of your pension after seven years.

NOTE: The law sets the *minimum* vesting credit that companies must provide. Companies can always be *more* generous than the law requires.

You may not get vesting credit for all the years you work, such as years you worked before a long absence from your job, or years you worked when you were too young to join the pension plan. (See "Can You Lose Vesting Credit?" and "What Years Don't Count?" on pages 6 and 7.)

Does your plan have special rules that let you earn your pension more quickly?

Workers in Keogh plans and so-called "top heavy" plans (where 60% percent of plan benefits or contributions go to company owners or officers) earn their pensions after working three years.

Workers in Simplified Employee Pension Plans (SEPs) and in plans of certain educational institutions, and "leased employees" vest as soon as they become plan members.

Workers who lose their jobs in a large layoff and workers whose plans are terminated may earn the right to a pension with fewer years of work *if* their plans have sufficient funds to pay benefits.

How do you earn a year of vesting credit under your plan?

Most plans give you a year of vesting credit if you work at least [illegible] (A *plan year* is a twelve month period that may start on January 1st or any other day of the year. The date used by your plan is in the written plan rules.) You also get credit for paid leave, such as vacation, sick leave, holidays and jury duty.

Some plans look instead at the [illegible] Under this rule, you earn a year of vesting credit if you are working exactly one year after the day you started working for the company. If you were not working on your anniversary date because of a layoff, disability, or leave of absence, you will still get credit for the full year.

Special rules apply to [illegible] and certain other groups of workers.

Can you lose vesting credit?

If you take time off from your job *before* you earn a pension, you may have a "break-in-service" that causes you to lose vesting credit for earlier years you worked. It depends on:

you took time off: You may lose credit for earlier work:

and your time off lasted at least five years, or lasted longer than the time you had already worked, whichever is longer.

and your absence lasted as long or longer than the years you had already worked.

and the plan rules in effect at the time you left stated you would lose credit for that absence.

And you took time off. You will not lose credit for:

Time off to in 1985 or later.

if you went back to work right away.

Part-time work does *not* count as a break for vesting purposes if you worked at least 501 hours during the year.

If your plan uses the anniversary date of your employment for vesting credit, you may still get credit for time off if you return to work within twelve months after you quit, retired or were discharged.

You may have to work another year after your break-in-service in order to rejoin the plan. (This additional year will count as a year of vesting credit.)

What years don't count?

Plans do not have to give you vesting credit for:

- Years worked before age 18.
- Years you worked before the company started paying into a pension plan.
- Years when you did not make payments into a plan that requires employee contributions.

The years that count for vesting may be different than the years that count for figuring the dollar amount of your benefit. Plans are only required to give you "benefit" credit during years that you are a plan member. Also, they do not have to give you a full year of "benefit" credit if you work fewer than 2000 hours in a twelve month period.

When will you receive your vested pension?

- Once you have earned the right to a pension, you usually have to wait until [illegible] to begin receiving pension benefits.
- After your death, your widow or widower may be able to receive a [illegible] Plans are not required to provide benefits to any other family members.
- Under plans that require [illegible] you can withdraw all your own money plus interest if you leave before you vest in your pension. If you leave after you vest, you will also earn the right to receive contributions made by your employer, and they will be combined with your own contributions to pay your pension to you when you retire.
- Once you start receiving your pension, your benefits may be suspended if [illegible] return to work for the [illegible] (or, in a "multiemployer" plan, an employer in the same industry.) However, the law requires that you start getting benefits at age 70½, even if you keep working.

When do the new vesting rules apply to your plan?

Although Congress changed the vesting rules in 1986, most plans did not have to adopt the new rules until the beginning of the 1989 plan year.

Certain plans covered by union contracts can wait longer to adopt the new rules. If your current contract was approved before March 1, 1986, your plan can change over to the new vesting rules when the contract ends, or on January 1, 1991, whichever comes first.*

If you have one hour of work after your plan changed over to the new law, you will be able to earn a pension with only five years of work (and the work you did before the new law will count.) But if you left your job even one day before the new law applied to your plan, you could lose your entire pension.

*If your union contract expired before January 1, 1989, your plan should have changed over to the new rules by January 1, 1989.

What can you do to protect your right to a pension?

GET MORE INFORMATION.

Ask the person in charge of your plan for an that tells you whether you have earned the right to a pension, and how much your benefit would be at retirement age if you stopped working on the date of the statement. You have a right to request this in writing once a year.

Your plan booklet and other plan documents may not show changes in the law right away since plans are allowed extra time to update their written rules. However, the new law still applies.

Be sure that the plan calculated your credits correctly. Get copies of your work records from the plan and your year-by-year earnings record from the Social Security Administration.

CHALLENGE THE ACTIONS OF YOUR PLAN.

If you disagree with the plan's decision about your benefits or request for documents, you can appeal to the plan administrator, and later, go to court.

You can also go to court if you believe that your employer fired you or otherwise discriminated against you to prevent you from earning a pension.

Vesting rules make up one piece of the "pension puzzle"

Other important changes in private pension laws have also occurred recently.

For an overview of all company and union pension plan rules, you may want to order a copy of a handbook that the Pension Rights Center wrote for the American Association of Retired Persons. Called **A Guide to Understanding Your Pension Plan,** the handbook is available free of charge by writing: AARP Fulfillment, 1909 K Street, N.W., Washington, D.C. 20049. Ask for AARP Stock Number D13533.

If you have technical questions about private pension laws, you can call the Internal Revenue Service Employee Plans Division Taxpayer Assistance line at (202) 566-6783 weekdays between 1:30 and 4:00 p.m. Eastern Time. This is not a toll free number.

If you have difficulty obtaining documents from a private pension plan, you can write to the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. (202) 523-8784.

Mr. HUGHES. Thank you, Ms. Moss. We've heard a great deal of testimony today that poverty among elderly women living alone will continue to remain high well into the next century. We've heard also a lot of proposals today to try to address the problem of inequities, structural inequities in the Social Security system, problems with SSI, the failure to commit the resources that are needed at the Federal level to SSI, and a whole host of other suggestions. I wonder if you can tell me what proposed changes to the system, the Social Security system, would best address the problems that we have heard about today.

Let me begin with you, President Crooks. What do you think we should do?

Ms. CROOKS. Well, I think we have heard some very fine proposals today and think, in the first place, there are many people who are eligible for SSI we found last year in our organization, who didn't know about it. However, we agree that many of these proposals are good, but I think before we can act on any of these the Advisory Committee on Social Security is meeting I think. We must study these proposals, each proposal very carefully. Who will it help, who is it going to hurt, and what is going to be the impact on the cost?

I think we also must realize that if we open it up for one section, it will be very easy to open it up for more in later years to come and Social Security has to be secure of the base for our retirement.

Mr. HUGHES. Well, it seems to me that one of the suggestions that we have heard is that we need to deal with the penalty that's associated with caregiving. There are several different proposals. One would be shared earnings. Shared earnings would, I presume, help in a situation where a husband is earning income, and a wife is at home caring for the children. It would probably not help in that situation where someone leaves the workforce to care for an elderly person. So, that presents a unique problem and it seems to me that as policymakers we need to focus in on the trends.

The trend is that we are going to have an increasingly elderly population. Women traditionally live longer than men, so it will be a larger elderly female population. Women are the ones that, more often than not, leave the workforce to care for elderly parents, single and married. That's been my experience over the years and I suspect that the statistics would bear that out.

Is it possible that we should look at both shared earnings as well as some formula that would drop the caregiving years? Is that possible, Mr. Bechill? What do you think?

Mr. BECHILL. Well, first of all, Mr. Chairman, I have enjoyed participating in this hearing. I teach a course on social policy and aging and have for 16 years, and students ask me "are you optimistic about any area for improvement in the Social Security program?" I say generally, no, I am not, except in this area. Because I think I agree with you that there are compelling social trends relative to the changing role of women in our labor force.

I would first like to say, however, Mr. Chairman, that I think the Social Security program, as it is now structured, is of great benefit to most women. I also think that we have to be careful about criticizing this program because I do not believe that we are going to see, over the long run, major improvements and extensions in the

private pension coverage for both men and women. I think this is a sad commentary, but this is my particular view.

I think a lot of the issues that have been discussed today would be best addressed by gradually moving to a modified earning sharing system. But I think there is also an inter-generational dimension in discussing the problems of women with reference to the Social Security system.

We have a current generation of older women who are age 65, 75, 85, and older and beyond. The only real way to help that group is to either improve the Social Security benefits and the existing SSI program. And that's why I concentrated some of my testimony on that.

For example, I did notice in The Washington Post today the statement with respect to the COLA. I would be very much opposed to any effort by the Congress of the United States to either suspend or modify the COLA because that represents, not just a one-time reduction of benefits for people, including women who are beneficiaries, but it represents a long-term reduction and we already took that action once in 1983.

The question of women today in the workforce—70 percent in the workforce—moving in and out of the workforce, still in this dual role, where there are expected to be both a career person in many respects, in their own minds and in the minds of other people, namely men. At the same time, they are also expected in our society to be the caregiver.

Do you address that—and I don't have the answer. Do you address that through the Social Security system? But I think one thing we need to put in place when we talk about caring for people, whether it's young or old, is to have some access, including the access for reimbursement for long-term care services. Respite care, for example, would be very helpful to many women who are in that particular role.

Mr. HUGHES. Let me ask the other panelists. How do you all feel? Ms. Yarrington, do you agree that we need to, first of all, find out a little more about who would benefit and who would be hurt by any modifications in the present Social Security formula, whether it be by way of earning sharing or whether it be by way of dropping out the zero years for care giving?

Ms. YARRINGTON. There are enormous equities and inequities that have to be worked out, Mr. Chairman. I think I may have been one of the few Hill staffers who were invited to sit on the Earning Sharing Task Force—this is the private group of women headed by Edith Fierst. We produced an earning sharing report, so I have a pretty good grasp of the complexity of that. It's something that will take 50 years to phase-in. I believe it could be done and it could be done in a way that protected the vested interest of people already insured under the current system and then gradually phased into an earning sharing system. That is a system that will take up to 50 years, because that's basically a work life.

Mr. HUGHES. I understand, let me ask.

Ms. YARRINGTON. There are so many changes that need to be made, small inequities that can help people already on the roles. That has been my lifetime area of expertise. The "nitty-gritty"—the little areas that can be fixed. Social Security is not doing the

job that this society supposedly has assigned it, if we do not fix small inequities.

Mr. HUGHES. Let me ask you on pensions, Ms. Gottlich and Ms. Moss: it's discouraging that pension coverage has been declining these past 10 years. In your opinion, who should be responsible for promoting pension coverage and what mechanism should we use to do so?

Ms. GOTTLICH. I think, and I know Ms. Moss will agree with me, that in the small employer context, if you promote simplified employee pension plans, a mechanism that's already in place, more employers will be willing to provide coverage for their employees. The Pension Rights Center has done a very good job of that and so has the Small Business Administration and AARP. I think it needs to be more than just the Pension Rights Center that's advocating coverage. It needs something like women's support in the promotion of the SEP campaigns.

Mr. HUGHES. Pension portability is increasingly important because of the mobility of our population and people are making more career changes, which is probably healthy. There was a time when you took a job, you stayed in that job and that was expected, whether you liked it or not. You'd finish your employment in that particular job. That's no longer the case. People are making career changes more frequently today and that's probably healthy in many respects.

Do you view pension portability as one of the serious problems that we need to address in the country?

Ms. Moss. I think it is a problem. I think a lot of times people talk about portability as the ability to take pension benefits from one plan to another or to an IRA, but I think we have to also look at the problem that you have to have something to take. Our concern is for the people who are not able to stay on the job until retirement age. I think a lot of people would like to but can't. They are disadvantaged by the design of our current pension system which primarily is designed to pay off to people who do stay all the way up to retirement age. So, what we are proposing are some changes in the plans that we have now that would hurt workers to a lesser extent, if they do have to leave early, and give them more benefits to take to another company.

Mr. HUGHES. We probably need to change some of the rules, but part of it also is a matter of enforcement. In the past, employers have been very creative in developing plans that cover just key employees. We saw that for a number of years. Of course, focusing in on the deductibility of those plans is one way that we can, through enforcement, also attempt to ferret out the insidious discrimination that's involved. So, there are a lot of areas we can work in. Well, that's another vote.

You've been a very, very good panel, as was our first panel. We appreciate your contributions and please feel free to submit for the record any additional comments or data that you would like to submit because this is an important issue and we are going to see if we can focus attention on many of the issues that we have heard about today and forge some consensus to make some of the structural changes that we need to consider making.

Thank you. That concludes the hearing for today. The subcommittee stands adjourned.

[Whereupon, at 12:27 p.m., the hearing was adjourned.]

APPENDIX

OLDER WOMEN'S LEAGUE

Heading for Hardship:

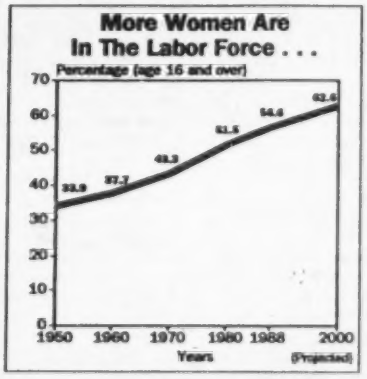
Retirement Income for American Women In the Next Century

When today's 25-year-old woman retires, after having been employed for as long as 35 years, she can expect to receive the same retirement benefits — adjusted only for inflation — that her mother received. For most women, decades of Social Security contributions will translate into virtually the same retirement benefits as those paid to their mothers, who may never have earned wages or paid Social Security taxes.

Women continue to pour into the paid work force, but retirement income does not reflect their growing contributions. In 1970, women received 70% of the Social Security benefits men received. In 1989, that percentage had grown just to 73%. In 1974, women's average private pension income was 73% of men's; by 1987, that ratio had plummeted to 58%.

By the year 2020, Social Security and pension systems will have practically ended poverty among older men and couples, but poverty will remain widespread among older women living alone —those who are divorced, widowed or never married.

Social Security and pension systems benefit male work patterns. Designed when lifestyles were dramatically different, Social Security best serves "traditional" families that consist of a lifelong breadwinner, a lifelong homemaker, and two children. Less than 10% of American families fit that definition today; even fewer will fit in the future.



. . . But As Retired Families and Widows, They Will Be Worse Off

Avg. Annual Earnings	Dual Earner Family	Traditional Family
Husband	$17,500	$29,000
Wife	$11,500	$ 0
Total	$29,000	$29,000
1990 Soc. Sec. Monthly Benefit at Age 65		
Husband	$733	$ 975
Wife	$551	$ 487
Total	$1,284	$1,462
Survivor Benefit	$ 733	$975

Source: Bureau of Labor Statistics, 1985; Howard N. Fullerton, "New Labor Force Projections, Spanning 1988 to 2000," Monthly Labor Review (Nov. 1989)

Despite significant legislative reforms, fundamental biases against women persist in retirement income programs. Social Security discriminates against women by penalizing dual earner families, caregivers, divorced spouses, and people who retire early and live long. Wives who are entitled both to benefits on their own work record and benefits from their husband may collect only one. With women's wages remaining low, most collect from their husband's contribution. Since 1960, the percentage of women receiving a dependent's benefit has remained at 62%, despite more women in the work force.

As long as women continue to assume greater child and elder care responsibilities, are paid less than men, and live longer, these biases will take an enormous toll on women's retirement income. Unless Social Security and pension systems are revised radically, older women will remain significantly poorer than older men. With the "baby-boom" generation just 20 years from retirement, escalating distortions in retirement incomes for men and women will become a political hot potato of immense proportions in the years to come.

Mother's Day Report 1990

A Message from Lou Glasse, President of the Older Women's League

Happy Mother's Day! It's that time of year once again when we give our mothers their fair share of flowers and well-wishing telephone calls. But the day is not yet in sight when America's moms will get their fair share of something much more significant — economic security in retirement. For men, we've created retirement plans and profit sharing. For women, we've created Mother's Day.

The young woman who calls her retired mother Sunday may reach a woman living on Social Security and pensions that are grossly inadequate. Most employed women today fully expect to be independent and equal partners in work and in marriage. They expect to get their fair share of the retirement pie.

Few would ever dream that their futures are unlikely to be much brighter than their mothers'. In fact, by the year 2020–when today's 35-year-old is retiring–poverty among older Americans will be almost entirely confined to women living alone. Women 30 years away from retirement are already in jeopardy.

Women entering the work force now face the same assumptions that penalized women already retired. Our system still rewards male work patterns and favors marriage. Social Security soon will assume the average working span is 35 years, a plateau that less than 40% of women will reach even by the year 2030. The Social Security and tax structures that kept older women from accumulating equity and establishing their own benefits are still in place. Gender bias and lower women's wages today will translate into significantly lower retirement benefits tomorrow.

Today's daughters and granddaughters are already on track to end up suffering 40 years down the road the same inequities as their mothers. To date, America's Social Security and pension systems have utterly failed to keep pace with changing work patterns and family responsibilities. Outdated policies consign far too many older women to live out their lives in poverty and want.

Like Social Security, pensions are based on an antiquated one-worker family model and remain out of reach for most women. Today, more than three out of four women have no access to their own pensions.

Pension eligibility has generally required long term, continuous full time service with one employer–a bad fit for women. At one time or another, most women must quit jobs, work part-time, take lower paying jobs, move, or retire early to care for family members.

In return for this lifetime of service, retired women workers receive 76 cents for every dollar men receive in Social Security–and, since 1950, this disparity has widened. Millions of employed women pay into Social Security for decades, only to discover upon retirement that half of their husband's benefit exceeds their own. Women get absolutely no return for the contributions they have made for so long.

Women's work patterns simply do not mimic those of men. We can no longer postpone rectifying these inequities. Revisions in pension and Social Security policy enacted today will only fully benefit workers who enter the job market tomorrow.

Congress must treat marriage like an economic partnership. It is degrading that Social Security still averages a "zero" for each year a woman stays home to care for children or frail or disabled loved ones. Restrictions that effectively turn divorced spouses and disabled and working widows into second class citizens must be eliminated.

Pensions must become mandatory and portable, and family and medical leave policies that protect caregivers' retirement benefits must be enacted.

Once again on Mother's Day, the Older Women's League is issuing a challenge to America's policymakers. The 1990 graduate interviewing for her first job is already heading for hardship in old age. We must revise pension and Social Security policies to fairly acknowledge women's contributions and equitably distribute retirement benefits.

Facts of Life for Women

There is no evidence that young women today will have economic retirement futures that are significantly different from those of their mothers and grandmothers. If our nation's Social Security and pension programs remain fundamentally unchanged, the retirement income future is unlikely to get any brighter for women.

Three demographic and sociological factors conspire to leave retirement age women at a severe economic disadvantage: women continue to be the primary caregivers of children and elders; women's wages continue to lag far behind those of men; and women continue to live longer than men. As a consequence, the "golden years" will be "beholdin years" for many.

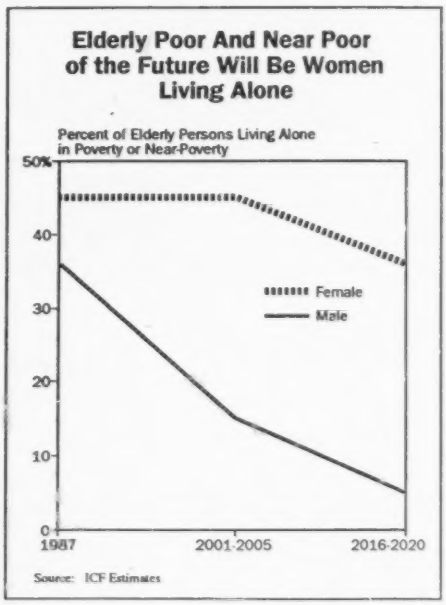
Currently, millions of women face bleak retirement futures. Almost three-quarters of the elderly living below poverty are women. More than two out of every five older women (41%) are poor or near poor (living on incomes within 150% of poverty).

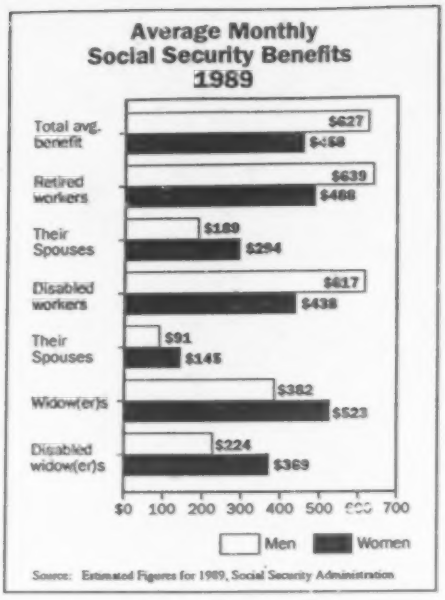
Even more women are only one man away from poverty. Almost four times more widows live in poverty than do wives the same age. Half the widows who are poor were not poor before the death of their husband. The difference in wealth between widows and wives is due to married women's access to the income and assets of a husband. In 1988, almost one in two women age 65 or over were widows.

In 40 years, when today's 25-year old retires, fewer women will be retiring married, and therefore fewer will have access to a husband's retirement income. Seven out of 10 baby-boom women will outlive their husband and can expect to be widows for at least 15 years. In the year 2030, only one in three women over age 65 will be married, compared to 40% today. In only 40 years, more than one out of every five older women will be divorced, a 400% increase over today.

Despite more women being in the work place, a young woman continues to face a future of significantly lower wages. Full-time, year-round working women in 1988 earned 66 cents on average for every dollar men earned. This wage gap has remained fairly constant since 1939, when the gap was 64 cents on the dollar. Employment discrimination and women's work patterns — part-time work, in and out of the work force, choosing lower-paying work because of caregiving responsibilities — will continue to keep women's wages far below men's.

Caregiving responsibilities continue to fall predominantly on the woman's shoulders. Fathers may be changing more baby diapers and caring financially for aging parents, but, on average, they are not taking significantly more time away from work for caregiving. Women average 11.5 years away from the labor force, while men average 1.3 years. Even with more employers offering parental leave for fathers, very few are taking advantage of it. More women are in the work force, but a role reversal has not occurred. Instead of more men staying at home for caregiving, women are simply assuming the role of breadwinner and the role of caregiver.





Social Insecurity for Women

The Social Security Act was enacted in 1935 as the cornerstone of the New Deal. The Act was designed to provide Americans with protection against the loss of wages due to retirement, disability, or death. Although the language of the Act is gender-neutral, the program was designed to meet the needs of a "typical" American family that is no longer typical.

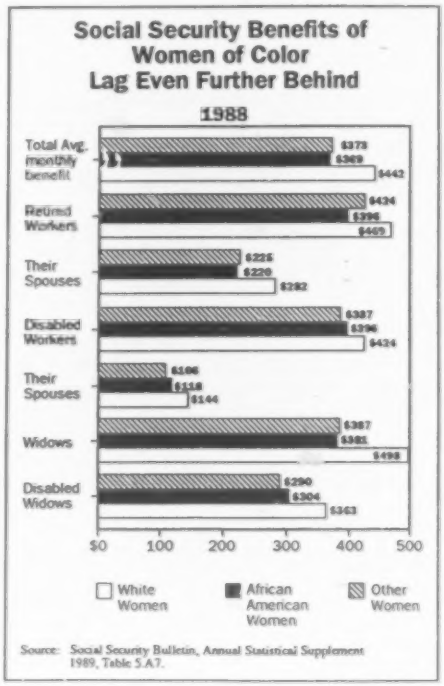
Drafted more than 50 years ago, the Social Security program best protects a family that consists of a lifelong paid worker (usually the husband), a lifelong unpaid homemaker (usually the wife), and the dependent children–a family that is quickly becoming a thing of the past. However, 70% of older, nonmarried women depend on Social Security as their primary source of income.

As long as the underlying premises of the program remain outdated, future generations of women will continue to receive Social Security benefits that are significantly lower than men's.

Social Security is a system of "worker" and "dependent" benefits. A woman receives Social Security benefits by either working the requisite number of years in covered employment or by being married to a worker who qualifies for a worker benefit, in which case she receives 50% of his benefit. A woman who qualifies for benefits both on her own work record and as a spouse is dually entitled but receives only the higher of the two benefits.

A lifetime homemaker has no Social Security protection in her own right. Even though she has worked for decades in the home and has contributed substantially to her family's economic well-being, she receives only a spouse benefit equal to half of the benefit her husband receives.

For the homemaker who is divorced, half a benefit can be far too little to live on. A divorced woman is eligible to receive a spouse benefit if she had been married at least 10 years. However, half of her former husband's benefit is just one third of what they would receive as a couple. Together, they were receiving 150% of his Social Security–100% for him and 50% for her. As an individual, she receives only the 50%. This provides many divorced, lifetime homemakers with



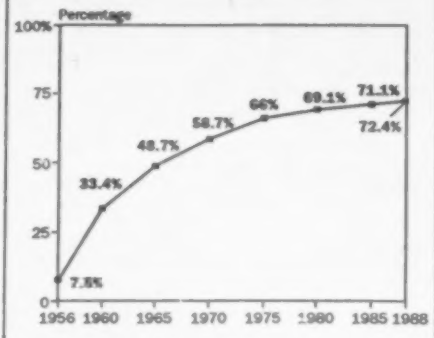
benefits that leave them living in poverty. The average spouse benefit for a woman in 1989 was $294 a month.

A divorced spouse becomes financially better off after her former spouse dies, because a widow receives 100% of her deceased husband's benefit. However, a widow may not draw any benefits until age 60, unless she has a child under 16 or an older disabled child. A widow's gap is created for widows with children over age 16 who are not 60 and who, therefore,cannot draw benefits yet. Once a widow has reached age 60, should she draw her benefits early rather than wait until age 65, her benefits will be actuarily reduced to around 70% of her normal widow's benefit.

Lower wages prompt single and divorced women to draw their benefits early, and thereby have their benefits actuarily reduced. Benefits are reduced to 80% of their normal amount for workers who retire early at age 62. For the first 15 years, the worker is ahead in total retirement benefits by drawing early, but after that, the worker is behind where she would have been had she waited until age 65 and drawn full benefits. Women who live to age 62 have an average life span of 83 years. Therefore, unless a woman has a reason to believe she will die younger than the average,choosing early retirement leaves her financially disadvantaged under Social Security. Yet, 72% of retired women workers draw their benefits early.

For a woman drawing an early spouse benefit, as opposed to a worker's benefit, the shortfall is even worse. The spouse benefit is reduced to 75% of the full benefit for a spouse electing to draw benefits at age 62. Therefore, the spouse is ahead for only 12 years, until the age of 74, and would have been financially better off waiting until age 65 to draw benefits for every year after age 74 that she lives. Still, 82% of spouses draw early benefits. Many are divorced and in need of immediate income and cannot consider the consequences down the road.

More Women Workers Are Drawing Early Social Security Benefits



Source: Social Security Bulletin, Annual Statistical Supplement, 1989, Table 5.B4.

Early Retirement Means Big Benefit Reductions

Avg. Annual Earnings	
Husband	$26,312
Wife #1	$ 0
Wife #2	$17,047
Soc. Sec. Monthly Benefits	
Husband at age 62 (in 1990)	$723
At age 65	$899
Reduction	19.95%
Wife #1 at age 62 (in 1990)	$337
At age 65	$449
Reduction	25.00%
Wife #2 at age 62 (in 1990)	$531
At age 65	$660
Reduction	19.95%
Widow —Wife #1 or #2	
At age 60	$642
At age 65	$899
Reduction	28.5%

Women's Work and The System–A Bad Fit

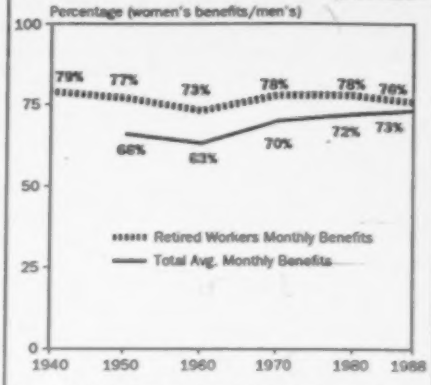
Among retired workers receiving Social Security benefits on their own work records, the average male receives nearly 25% more in his check than does the average female ($639 to $488). Because Social Security benefits are wage-based, women's continuing lower earnings translate into lower retirement benefits. Because of the wage gap, the average woman will consistently have lower benefits than the average man.

Women's work patterns are strongly penalized under Social Security. Workers born in 1929 or later will have their Social Security benefit calculated on their average earnings over a period of 35 years. Since 1950, the length of the computation period has increased by a year each year. For example, the computation period for a worker who reached age 62 in 1987 was 31 years. The computation period will reach its maximum of 35 years for those who reach age 62 in 1991 or later.

Persons with fewer years of covered earnings than the computation period have a zero averaged into their earnings record for each missing year. Persons with covered earnings for more than the computation period will have their years of lowest earnings "dropped out." Men generally work 35 years or more, but women do not. Even by the year 2030, fewer than four in ten women age 62-69 will have worked 35 years or more. The remaining 60% will have zeroes averaged into their earnings record.

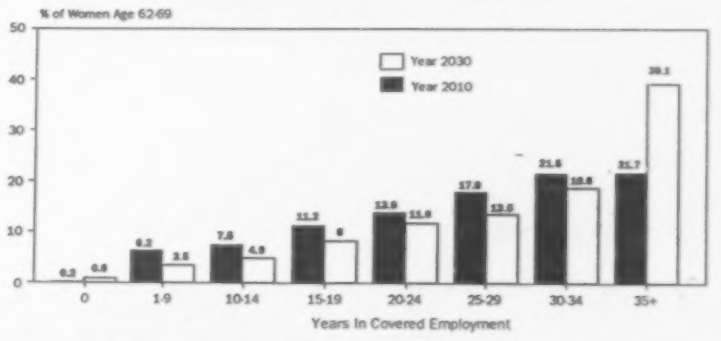
Currently, women average 11.5 years out of the work force, compared to 1.3 years for men. Additionally, average earnings of a working woman drop $3,000 the year the child is born and about $5,000 to $6,000 annually the next two years. These years of lower earnings are used to compute monthly benefits.

Women's Social Security Benefits Have Not Gained On Men's



Source: Social Security Bulletin, Annual Statistical Supplement, 1989, Tabs. n°s C2, 5.D3, 5.E2, 5.F1, 5.F2, 5.F12

Women Will Spend More Years In The Work Force, But Many Will Still Be "Zeroed" Out



Source: The Urban Institute's "DYNASIM" model, as reported in "Earnings Sharing in Social Security: A Model for Reform," Center for Women Policy Studies, 1988, p. 21.

Social Security Penalizes Working Women for Caregiving

Avg. Annual Earnings
(over 35 yr. period) $15,000

Monthly Benefits (under various examples)

1. Retires Age 65
(in 1993 with no "zero" yrs.) $ 606
2. Retires Age 62
(in 1990 for elder care responsibilities with no "zero" years) $ 484
3. Retires Age 65
(in 1993, spent 12 yrs. outside paid work force) $524
4. Retires Age 62
(in 1990, spent 12 yrs. outside paid work force) $419

Dually Entitled, But Singularly Benefited

Women who are both homemakers and wage earners are particularly disadvantaged. A woman dually entitled to both a worker benefit on her earnings and a spouse benefit on her husband's earnings can receive only the greater of the two, usually the spouse benefit. If the spouse benefit is higher — and the zeroes averaged in for her years out of the work force make it likely that it will be — those years a woman worked and paid into the system through payroll taxes do not give her an increased benefit. She will receive exactly the same spouse benefit that she would have received had she never worked outside the home.

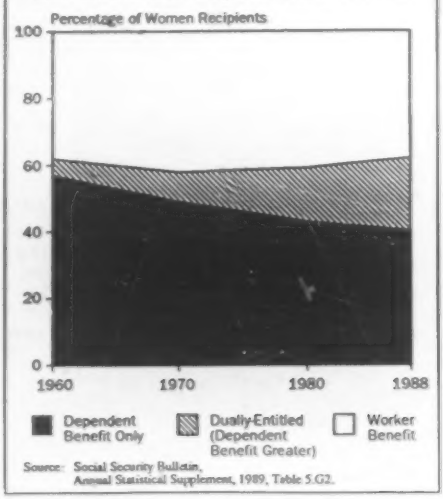
Since 1960, the percentage of women drawing a benefit based on their own work record has remained constant, despite more women working. Thirty-eight percent of women beneficiaries drew benefits on their work record in 1960 as well as in 1988. The number of women dually entitled on both their record and that of their husband increased over this period from five to 22%, but for these women, their dependent benefit on their husband's record was greater.

Two earner married couples also are penalized under the current system. Because a spouse receives only the higher of benefits based on her work record or spouse benefits based on her husband's record, dual income couples with similar incomes can receive Social Security benefits lower than a couple with only one earner.

Many female workers who have earned a government (public) pension will have their Social Security benefits reduced. For these retired government workers, their Social Security benefit as a spouse or widow will be lowered by up to 2/3 of the value of their government pension. For example, if the retiree receives a $600 monthly civil service pension, and she is entitled to a $400 per month widow's Social Security benefit, her widow's benefit will be reduced to nothing, because 2/3 of $600 completely offsets the Social Security benefit.

Women today and in the future will pay more into the Social Security system than their mothers and grandmothers. Rising payroll taxes, higher wages, and increased labor force participation mean that women are paying more into the system, but not necessarily getting more out. In 1990, the payroll tax increased from 7.15 to 7.65 percent on the first $51,300 of income — for a maximum tax of $3,924 a year. In 1970, the tax rate was 4.8% on a wage base of $7,800 — for a maximum tax of $374 a year.

More Women Are Dually-Entitled But Still Draw Dependent Benefits



Source: Social Security Bulletin, Annual Statistical Supplement, 1989, Table 5.G2.

Given that so few women will qualify for benefits on their own work record even by the year 2030, these increased taxes will not lead to proportionate increases in benefits. In 1970, women's total average benefits were 70% of men's benefits; in 1990, this figure had increased to only 73%.

In eight states, women's average benefits fell below the 73% national average — Idaho, Louisiana, North Dakota, Ohio, Texas, Utah, West Virgina, and Wyoming. In six states women's average benefits fared better than 76% of men's — Alaska, D.C., Massachusetts, Mississippi, New York, and Vermont, with D.C. women's average benefits keeping the best pace with men's at 81%.

Giving Disabled Women a Tougher Way To Go

Disabled women have a difficult time qualifying for benefits. A female disabled worker may have difficulty meeting criteria that require the worker to have worked five out of the last ten years and one-quarter of the years since she was over age 21. Therefore, a homemaker entering or re-entering the work force does not have disability protection for at least five years.

Additionally, a disabled widow must meet a more stringent standard of disability than a disabled worker. In 1967, Congress, in establishing this standard, expressly wanted to limit the number of disabled widows who would be eligible, promising to revise the standard shortly. Twenty-three years have passed without any further action.

The benefits for disabled women workers and disabled widows are extremely low. Disabled widows benefits in 1989 were $369 a month or $4,428 a year, far below the federal poverty level. For African American disabled widows, the average monthly benefit in 1988 was even lower — $302 a month or $3,624 a year.

Penny Pensions

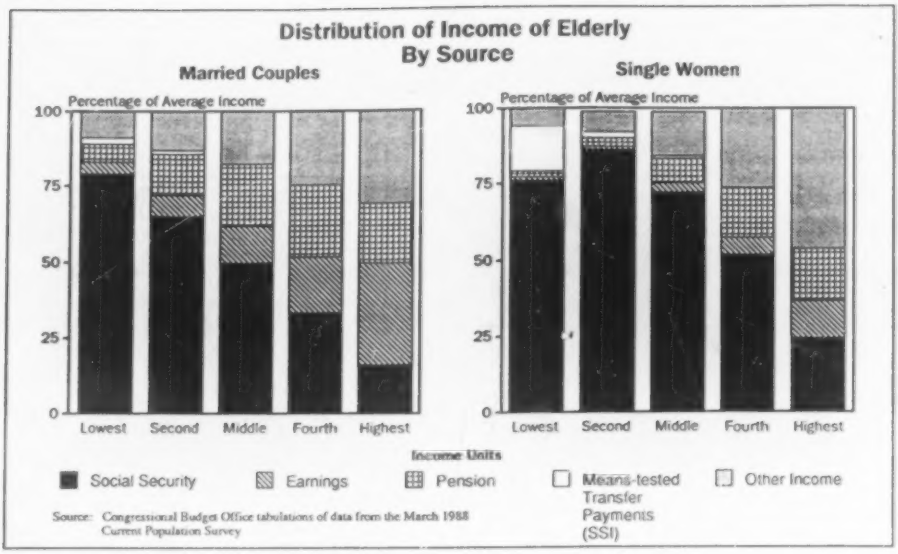
Pension law and practices heavily disfavor women's work patterns. Policymakers sometimes describe an adequate retirement income as a three-legged stool supported by Social Security, a pension and individual savings. Unfortunately, for women the pension leg is often missing, producing a shaky future for far too many. Improvements in pension coverage on the job will not translate to gender parity when benefits are paid in the next century. Today, almost twice as many men over age 65 receive pension income on their own work record than do women (46% to 23.5%). While the percentage of women beneficiaries should improve somewhat in coming decades, the dollar gap between men's and women's pension income will remain high. In 1987, the mean pension income for men over 65 was $659 a month compared to $394 for women.

Average Pension Income For Persons Over 65 In 1987

Pension Income (public and private)	All Races		White		African American		Hispanic	
	Men	Women	Men	Women	Men	Women	Men	Women
Percent receiving	46.0%	23.5%	47.9%	24.6%	23.0%	13.8%	27.7%	*
Avg. annual pension income	$7,907	$4,723	$8,045	$4,726	$5,428	$4,828	$6,483	*
Private Pension Income Only								
Percent receiving	32.0%	13.6%	33.2%	14.4%	22.5%	6.0%	*	*
Avg. annual private pension income	$5,727	$3,352	$5,809	$3,333	$4,435	$3,695	*	*

* Too small a sample to draw a figure

Source: Unpublished Census Bureau data, March 1988, Current Population Survey



Women's job mobility penalizes them heavily in pension coverage. Because most plans require five years on the job before pension rights vest, the vesting feature poses a great obstacle to pension equity for women. Women are more likely to have fewer years of service and are more likely to work part-time than men. Half of all men have been on their current job less than 5.1 years, half of all women, 3.7 years. Women's job mobility is due to family responsibilities, following transferred husbands, and leaving dead-end jobs.

Women who leave jobs to assume family obligations pay a heavy pension penalty. Because pension benefits are typically calculated on the worker's final earnings, leaving the job significantly before "normal" retirement age will mean that the pension will be based on wages which may be 10 or 20 years out of date, with no indexing for inflation. A man and woman can each work 40 years, with both working under the same type of pension plan at all times. However, the man remains in the same job and the woman in four different jobs. The result is that the man's pension could be twice the woman's.

Women are more likely to work in small businesses and for lower pay, neither of which are associated with pension coverage. Employers are not required to provide pension coverage. Less than half of workers who earn less than $1,000 a month are covered by a pension plan, while more than three out of four paid more than that are covered. Only 25% of employers with less than 25 employees offer pension coverage, while 89% of employers with more than 1,000 employees offer coverage.

Many flexible job arrangements made to accommodate working women's family responsibilities will greatly diminish women's retirement income. Consultancies, part-time jobs, shared jobs, seasonal employment, home-based self-employment are all increasingly popular alternatives for women. All are virtually unprotected by pension coverage. Over 44% of employers now use part-time help of some kind. Three out of four of them began the practice within the last eight years. Two out of every three part-timers are women. Under federal law, employers who do choose to offer a pension plan may exclude employees working under 20 hours a week or 1,000 hours a year from coverage.

Pension plans are only required to offer widow benefits of half the amount received while the husband was alive. If the worker is the survivor, however, the worker's pension is not decreased. The survivor is most often the wife, leaving widows as a group with a much lower pension income than widowers.

Currently, only three percent of women are receiving a surviving spouse pension benefit. Many couples continue to waive survivor's benefits in order to receive higher benefits while both are living or because they do not understand the waiver they are signing. Since 1985, both spouses must consent in writing to waive the survivor's benefits. However, a recent federal study found that most waivers require at least a 12th grade reading level and were too complicated for most persons to understand.

State and local government workers are not protected by federal pension law. State and local pensions are created by state legislatures, and chaos reigns. In some states, public pensions are organized according to political subdivision; in others, they are organized by occupational class. Each plan has its own rules and provisions. Understanding or reforming these pension systems can be nearly impossible. Some 17 million full and part-time government workers and their spouses are caught in this maze.

Pension integration, whereby a pension is reduced by a portion of one's Social Security, more commonly occurs for women workers. Until recently, a retiree's entire pension could be integrated-out. A new law limits the maximum loss of a pension to one-half the pension amount — however, only for pension benefits earned (not received) after 1988. So, it will be decades before the impact of the new law is felt, and, even then, half of the pension earned through contributions could disappear. Integration is most common for lower paid workers, where women are overrepresented.

Pension benefits are seldom part of the marital property that is divided in a divorce settlement. Nothing in federal law requires states to consider private pensions as property subject to division upon divorce. A federal law change in 1985 only required pension plan administrators to abide by court orders in those states that do consider a pension marital property. Among states that do divide interests in pensions, many recognize only a vested pension that is presently payable — meaning that the worker would have to be of retirement age before the pension would be divided at divorce.

Saving For A Rainy Day When It's Already Pouring

Women must rely more on private savings to supplement their retirement income given their lower Social Security and pension benefits. Unfortunately, women have a diminished ability to save because of lower lifetime earnings and the high health care costs that result from caring for seriously-ill spouses. In addition, income tax "reform" laws make it more difficult for women to have private individual retirement accounts (IRAs).

The Trouble with IRAs

Dual Earner Family	Traditional Family	Single Worker
Wife (freelance writer) $20,000 income no pension	Wife (homemaker) $0 income no pension	Woman (freelance writer) $20,000 income no pension
Husband (accountant) $35,000 income pension plan	Husband (accountant) $35,000 income pension plan	
IRA: No tax-deductible contribution allowed because joint income exceeds $50,000 and he has a pension.	IRA: $2,000 tax-deductible contribution made in husband's name and $250 in wife's.	IRA: Up to $2,000 tax-deductible contribution allowed

Fewer women participate in IRAs than men. Among full-time workers, 20% more men participate in IRAs than women. However, among part-time workers, twice as many women as men contribute to an IRA. More than $200 billion in American retirement savings are in IRAs.

Married working women are substantially penalized by IRA laws. Both husband and wife are disqualified from tax-deductible IRA contributions above a certain income level if either one of them has pension coverage at work. Since men are more likely than women to have this coverage, women are more likely to be disqualified from a deductible IRA, even though they may have no pension benefit in their own right and would need an IRA in case they are divorced or widowed.

Homemakers are also penalized. Normally, each wage earner may deduct an IRA contribution of up to $2,000 a year for income tax purposes. Under federal law, if only one spouse works outside the home, the couple can only contribute a maximum of $2,250 per year to IRAs for both of them. This contribution may be split between them in any way, so long as no more than $2,000 per year is invested in any one IRA account. Therefore, in effect, the value of a homemaker's work is set at $250. Unless a couple contributes $2,250 to IRAs each year by putting $2,000 in the wife's IRA and only $250 in the husband's, the homemaker is at a severe disadvantage if she is divorced or widowed.

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Sources are listed in alphabetical order by author for each section in which they appear.

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This report was written by Fran Leonard and Laura Loeb, with contributions from Lisa Lederer and Mary Jane Yarrington. Ms. Leonard is an attorney and author of a book on legal and economic strategies for midlife and older women to be published by Addison-Wesley in 1991.

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Membership and Publication Information

This 1990 Mother's Day Report by the Older Women's League is the fifth in a series begun four years ago with OWL's *Report on the Status of Midlife and Older Women in America. In 1987, The Picture of Health for Midlife and Older Women* focused the spotlight on the health and health care problems women face as they age. In 1988, *The Road to Poverty* examined the economic problems that plague women throughout life. Last year, *Failing America's Caregivers* reported on the impact of caregiving responsibilities on family caregivers of the elderly and children. This year, *Heading for Hardship* details the inherent inequities towards women within our nation's retirement income programs.

Making these invisible problems visible was the primary goal of the Older Women's League when it was founded in 1980. OWL is a nonprofit, membership organization — the first national organization to focus solely on midlife and older women's concerns. It strives to achieve economic and social equity for midlife and older women, to improve their image and status, and to provide mutual support for its members. In just ten years, OWL has become firmly established as a national voice for older women – a segment of the population that has long been unrepresented.

OWL was conceived by two California women, Tish Sommers and Laurie Shields, whose earlier work to eradicate the job inequities midlife and older women face helped to create the displaced homemakers movement. Although Sommers died in 1985 and Shields in 1989, their legacy continues in the more than 120 OWL chapters throughout the United States. Under their leadership, OWL formed a coalition called the Citizens' Council on Earnings Sharing to monitor legislative action and encourage future steps toward Social Security reform. OWL was also instrumental in passing significant pension reforms in 1984, 1986, and 1988 to help increase the number of women covered.

OWL's national agenda, set by its members, consists of seven educational and advocacy issues: Social Security reform, pension rights, job discrimination, access to health care, family caregivers, federal budget priorities, and staying in control to the end of life. Education takes many forms: consumer reports and pamphlets, the bimonthly OWL OBSERVER, testimony before legislatures, media outreach, the Gray Paper series, and conferences and leadership training. OWL's leaders come mostly from local chapters, whose members work on the national agenda, on state and local concerns, and on bringing women together for mutual support.

OWL's motto is "Don't agonize—organize!" You are invited to join OWL to show that you are willing to work toward brighter retirement futures for all women.

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To get involved, or to learn more, return the form below to:
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A Model for Reform (Center for Women Policy Studies) (1988)

EMPLOYMENT DISCRIMINATION AGAINST OLDER WOMEN:
A Handbook on Litigating Age and Sex Discrimination Cases, 100 pp. (1989)

WOMEN TAKE CARE: Consequences of Caregiving in Today's Society, by Tish Sommers, Laurie Shields, and the OWL Task Force on Caregiving, 224 pp., Triad Publishing. (1987)

CHRONIC CARE WORKERS: Crisis Among Paid Care-givers of the Elderly (1988)

HEALTH CARE IN RETIREMENT (1987)

VIDEOTAPE

MATTER OF LIFE AND DEATH. This 20 minute video introduces viewers to planning in advance for health care decisions at the end of life, using wills and durable powers of attorney. Included is a Leader's Guide with program formats, suggested preparation, resource lists, and materials that can be copied for handouts.

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